

HCL Technologies Ltd.

Annual Report 2006-07

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HCL

BOARD OF DIRECTORS

MR. SHIV NADAR
Chairman & Chief Strategy Officer

MR. T. S. R. SUBRAMANIAN
Director

MS. ROBIN ABRAMS
Director

MR. AJAI CHOWDHRY
Director

MR. SUBROTO BHATTACHARYA
Director

MR. AMAL GANGULI
Director

MR. P.C. SEN
Director

Auditors
Price Waterhouse
Chartered Accountants

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Bankers

Citibank, N.A.
DLF Centre, 5th Floor
Parliament Street
New Delhi - 110 001

Deutsche Bank AG
4th Floor, Jacaranda Marg
DLF City, Phase - II
Gurgaon - 122 002

Standard Chartered Bank
H-2, Connaught Circus
New Delhi - 110 001

ICICI Bank Limited
ICICI Tower
NBCC Place, Bhisham Pitamah Marg
Pragati Vihar
New Delhi - 110 003

HDFC Bank Limited
B-6/3, Safdarjung Enclave
DDA Commercial Complex
New Delhi - 110 029

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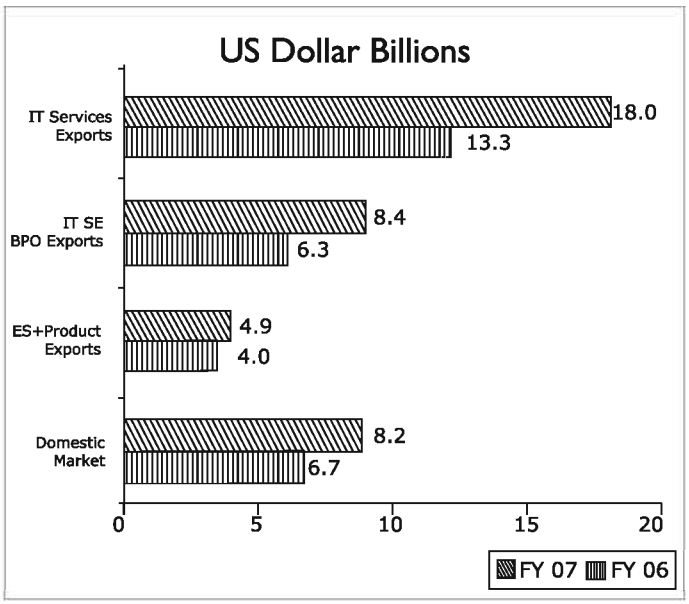
MANAGEMENT'S DISCUSSION AND ANALYSIS

Investors are cautioned that this discussion contains forward looking statements that involve risks and uncertainties. When used in this discussion, words like 'anticipate', 'believe', 'estimate', 'intend', 'will', and 'expect' and other similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performance or achievements could differ materially from those expressed or implied in such statements. Factors that could cause or contribute to such differences include those described under the heading 'Risk Factors' in the Prospectus filed with the Securities and Exchange Board of India (SEBI) as well as factors discussed elsewhere in this report. The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto

Industry Structure, Development and Outlook

Overview of the Indian Information Technology (IT) Industry

As per the NASSCOM survey, the Indian IT-ITES industry (including the domestic market) recorded an overall growth of 30.7% as against a projected growth of 27%, clocking revenues of USD 39.6 billion in FY 06-07 up from USD 30.3 billion in FY 05-06. The software and services exports segment grew by 33% to register revenues of USD 31.4 billion in FY 06-07 up from USD 23.6 billion in FY 05-06. The domestic segment grew by 23% to register revenues of USD 8.2 billion in FY 06-07 up from USD 6.7 billion. Within the export segment, IT services exports have grown by 35.5% to clock revenues of USD 18 billion; while ITES-BPO exports were up by 33.5% registering revenues of USD 8.4 billion. Engineering services and products exports registered revenues of USD 4.9 billion, growing at 23% in FY 06-07.



The Industry's employee base was over 1.6 million with about 3,15,000 jobs added during 2006-07. The total direct employment in the Indian IT-ITES sector is estimated to have grown by over a million during last 6 years, from 284,000 in FY 99-2000 to 1,621,000 in FY 06-07.

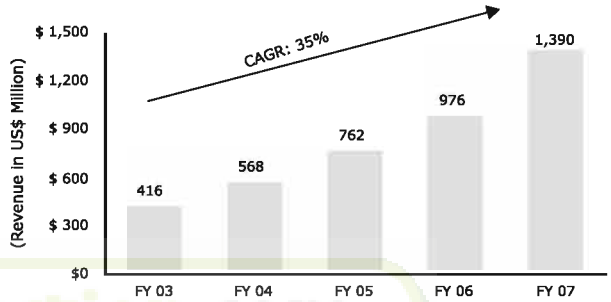
COMPANY OVERVIEW

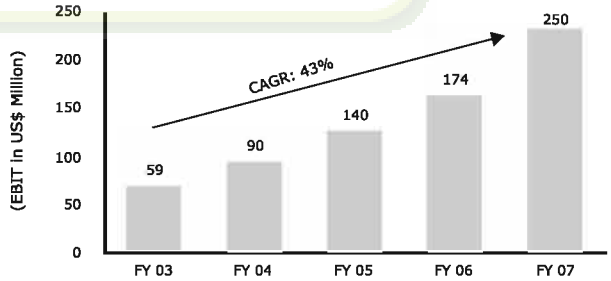
(Information provided in this section pertains to HCL Technologies Ltd and its subsidiaries on a consolidated basis)

About HCL Technologies Limited

HCL Technologies Ltd ('HCL' or the 'Company') is one of India's leading global IT Services companies, providing software-led IT solutions, remote infrastructure management services and BPO. The Company works with clients mainly on technologies focused on Transformational Outsourcing, in areas that impact and re-define the core of clients businesses. The Company leverages an extensive global offshore infrastructure and its global network of offices in 17 countries and over 60 delivery centers, to deliver solutions across select verticals including Financial Services, Retail & Consumer, Life Sciences & Healthcare, Hi-Tech & Manufacturing, Telecom and Media & Entertainment (M&E).

HCL has been continuously evolving over the decade and has come a long way from being predominately an engineering and R&D player in the late nineties, to being a multi service provider currently . HCL





Technologies Ltd along with its subsidiaries offers solutions in 1) Core Software Services 2) IT Infrastructure Management Services (called IMS / RIM or IM) and 3) BPO Services: The Core Software and Infrastructure services fall generally under IT Services, while BPO services would fall under IT Enabled Services (ITES) sector.

A. Core Software: HCL's offerings can be broadly classified under three heads i.e.

1. Custom Applications
2. Engineering and R&D services
3. Enterprise Application Solutions

1. **Custom Application or Industry Solutions Overview:-** This service accounts for 36% of consolidated revenues and is the largest practice area of HCL. This services line's endeavor is to help customers' businesses by designing and implementing scalable, reliable, robust, secure, and easily maintainable business applications. With the Company's focus on quality, most of its software development centers are ISO 9001:2000 certified and have been assessed and certified at Level 5 of Software Engineering Institute's Capability Maturity Model

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(CMM Level 5) and follow IEEE software engineering standards requirements. In keeping with the Company's customers' information security requirements all development centers are certified with the British Security Standard—BS7799. HCL's robust methodologies, tools, and processes ensure high quality of delivery to customers and HCL's unique Knowledge Transfer methodology ensures minimum cost bulge for customers and a smooth transition to offshore.

Key offerings in this practice are listed below

- Application decommissioning
- Application development
- Application migration & modernization
- Application portfolio optimization
- Application Re-engineering & integration
- Application support & maintenance
- Application testing
- Legacy mainframe application services
- Enterprise content management
- Presenter – GUI development tool
- Product development support/ implementation of packaged applications.

2. **Engineering and R&D Services Overview:-** This service accounts for 24% of revenues and is the second largest practice of HCL. Engineering Services are HCL's soul, with a product engineering lineage of over 30 years, HCL provides full lifecycle product engineering services, from requirements definition to prototype architecture, development, testing, and technical help desk from level zero (L0) onwards, field support, maintenance and upgrades. Its services are broadly classified as under:-

 a. **Hardware Product Engineering** – Service offerings
 - VLSI design & verification
 - Board design
 - PCB layout services
 - Product Re-engineering services
 - Independent verification and validation
 - Compliance engineering services

 b. **Embedded Engineering** – Expertise in developing small footprint and safety-critical embedded systems for Medical Devices, Automotive Electronics and Aircraft Components. HCL uses its Digital Signal Processing (DSP) expertise and Intellectual Property (IP) to develop fast embedded middleware, rich applications and interactive Graphic User Interface (GUI) for consumer electronics, computer peripherals and telecom products.

 c. **Mechanical Engineering** – HCL has a track record of complete mechanical engineering for customers in the Aerospace, Automotive, Medical equipment, Semiconductor and Appliance verticals. The entire manufacturing continuum is addressed – Key offerings.
 - Engineering design and analysis
 - Engineering design
 - Computer Aided Engineering (FEA, CFD)
 - Manufacturing & Prototyping
 - Testing and Validation
 - Technical documentation
 - Engineering Software development
 - Product Data Management (PDM)/ Project lifecycle Management (PLM)

 d. **Software Product Engineering** – HCL offers end-to-end services that are based on solutions-focused methodologies across Financial services, Manufacturing, Retail and Hi-tech amongst others. HCL has 8000+ software engineers working across various platforms, such as Sun, Microsoft, Linux – with CoE for the latest technologies like .NET and J2EE. HCL is the engineering partner for more than 50 Global Independent Software Vendors (ISVs) - from Fortune 500 to venture backed start-ups. The Company has over 15 years of product engineering experience. Major service components are :
 - Core Services: Architecture, Development and Testing
 - Complementary Services: Post Development Sustenance
 - Value Added Services: Technology assessment and management.

3. **Enterprise Application Services Overview:-** This service accounts for 13% of revenues. HCL's Enterprise Application Services (EAS) adopts a platform based approach, fuelling business optimization using technology as a cornerstone. The differentiated offerings comprising package and platform-led services ranges from blue printing, development, deployment, global rollouts, helpdesk support, to application maintenance in areas such as ERP, CRM, SCM, and Middleware.

 A. The enterprise applications business has a portfolio comprising:
 - SAP
 - Oracle
 - Middleware Solutions (Tibco, SeeBeyond webmethods)
 - WebSphere, Cast Iron and Cisco (AON)
 - Microsoft Dynamics (Axapta and CRM)

 B. Infrastructure Management Services: This is the fastest growing practice which accounts for 14% of the Company's revenues. The Company pioneered a unique model for remote IT infrastructure management that enables customer organizations to achieve superior infrastructure performance and significantly reduced costs. HCL's service portfolio consists of end-user computing, Datacentre services, Information security, Network services, Process and tools consulting.

 A focused player in the IT services arena, HCL Infrastructure Service Division (ISD) seeks to provide simplified infrastructure solutions through delivering high-performance management services for complex, distributed infrastructure environments encompassing the Internet, Client and legacy based infrastructures. HCL ISD addresses the growing demand for the cost-effective management of technology infrastructure across geographically dispersed locations.

 C. Business Process Outsourcing (BPO) Services: This service accounts for 13% of the Company's revenues. HCL BPO services provide a comprehensive range of voice/web based contact and front office services that span collections, sales & marketing, technical help desk and customer care. Highly trained associates under experienced supervision and stringent quality standards deliver services that consistently meet customer expectations and process Service Level Agreements (SLA's). Multi-lingual support in 8 european languages - is available from the Belfast Delivery Center.

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a. **Contact Management and Front Office Support** - HCL BPO delivers multi-channel contact management and back office services for select complex processes in banking, insurance, manufacturing, retail and telecom. The accent is on advanced customer handling and communication skills, a sensitized approach for managing client-side process stakeholders, integration with process experts and certifications such as COPC and BS: 7799. HCL's BPO services are highly regarded for significant, sustained value delivery, bolstered by an incident-free track record and renewal of all major contracts.

b. **Back Office Process Support** - Speed, accuracy, and reliability are the cornerstones of the BPO services approach to back office & transaction processing services. HCL's team consists of professionals with extensive experience in a diverse range of vertical domains, back office processes and process migration. Company's BPO has state-of-the-art technology and high levels of infrastructure redundancy combined with stringent standards of quality and compliance, to ensure consistent and timely delivery of output.

c. **Infrastructure and Support Services** - Leveraging over 5 years' of hardware/software/network support expertise and experience, HCL's BPO services provide a comprehensive range of technology products and IT infrastructure support services blending voice, e-mail and chat as well as break / fix ticketing & vendor management. The capability range spans Level 1 / Level 2, help desk to case resolution. The customer support representatives (CSR's) are trained and committed to go the extra mile to ensure satisfactory problem resolution levels that consistently meet and exceed client expectations and Service Level Agreements (SLA).

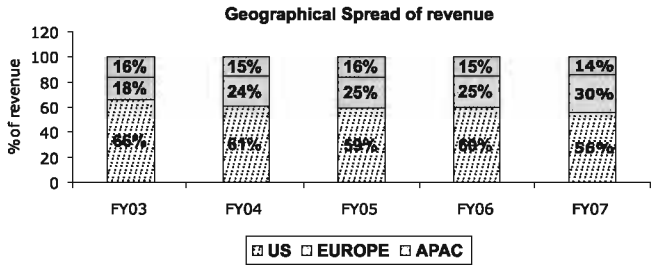
Risks & Concerns, Risk Mitigation

As with any business, the software industry thrives on a dynamic and highly competitive business environment, characterized by rapid technological change and innovations that constantly challenge conventional business models. HCL too faces several business risks, of which some prominent ones are discussed hereunder.

- Business concentration risks
- M&A execution risks
- Investment portfolio-related risks
- Regulatory/ Compliance
- Competition-related risk
- Employee-related risks
- Exchange rate risks

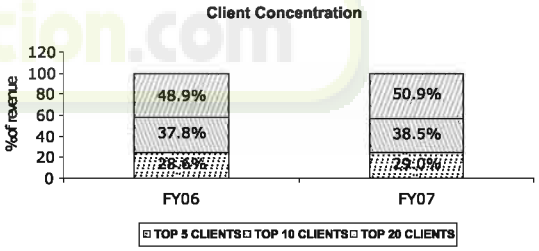
Business concentration risks

HCL has a diversified stream of revenues; it is not dependent entirely on any single customer, geography, vertical/industry or service offering. The Company has one of most well diversified sets of offerings amongst the Indian IT companies. The Company's business is predominantly export oriented, with over 90% of consolidated revenues coming from overseas clients. The Company's geographic mix of revenues for the past 5 years depicted below, illustrates lowering of dependence on the US geography and an increase in the European share of revenues.

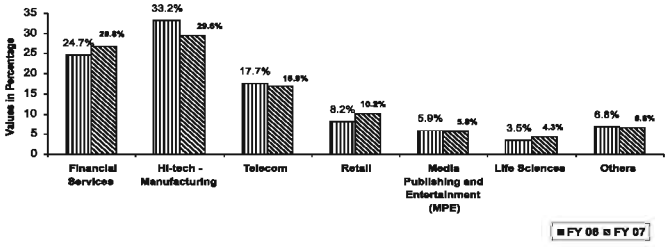


HCL's European business grew by over 70% during the year under review compared to 33% growth in the USA. The Company has been focusing on continental Europe and Japan for new business opportunities. During the year, the Company won a major IT services contract with Skandia - a UK based Insurance Company for US$ 200 million. This is a multi service, five year contract encompassing areas like application optimization, development, maintenance support and remote infrastructure management. The Company also consolidated its business with Teradyne Inc. by bagging a new multi million multi service contract worth US$ 70 million spread over 5 years. The engagement includes IT consulting, application development and end-to-end application and IT Infrastructure management involving datacenter, network, security and help desk services.

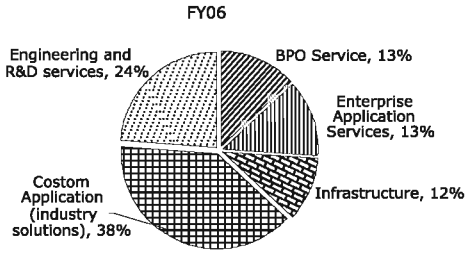
HCL derives revenues from over 450 clients to ensure a well diversified spread. The top 5, 10 and 20 clients' revenue contributions are given below



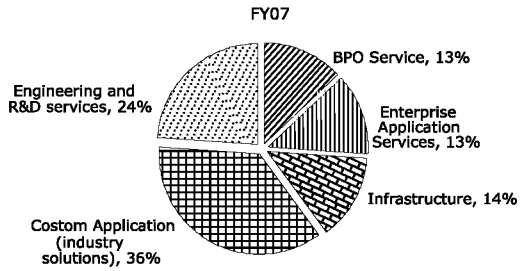
The industry wise revenue contribution also has been quite balanced



Company also has a balanced mix of service offerings



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M &A execution risks

The Company continues to thrive on a strategy of growth which leverages both the organic as well as the inorganic routes and had undertaken a series of acquisitions and joint ventures in the previous five fiscal years. The Company faces risks with respect to its merger and acquisition related transactions. The risk exposures in this area are as follows:

a. Increase in cost on account of staffing/ advisory fees to consultants
b. Lapses in due diligence
c. Difficulties in integration of acquired entities within the operational fabric
d. Deviation in estimation of business potential and synergies

The Company follows a very structured approach in pursuing its M & A strategy. Many of the risks are mitigated by restricting the choice of target companies by applying certain rigorous selection criteria as also by proper resourcing of the integration effort. The Company has had a successful history of integrating several key acquisitions/ alliances in past years, viz DSL Software Ltd, HCL BPO Services (NI) Limited i.e. Apollo Contact centre etc.

Investment portfolio related risks

The Company has consistently carried a high level of surplus cash and accordingly has an active treasury department. As a policy, no part of the surplus cash is invested in high risk assets such as equities and low liquidity assets like real estate. There are clearly laid down policies that govern treasury operations, and the activities are periodically audited by internal audit. The primary area of risk for the Company's market exposures are related to the interest rate risk on its investment securities. To mitigate interest rate risk, all surplus funds are invested in appropriate avenues upon a review by the investment committee. The guiding principles of all investment decisions are safety of investments, followed by liquidity and returns.

Compliance with international and local laws

The Company provides software services either at the clients' place, that is, on-site locations or offshore and also at times near-shore. The Company's business is international in the true sense and involves adhering to statutory and regulatory compliance in various countries, including laws such as those relating to employment, taxation etc. The Company's success in these geographies depends on how quickly it is able to adapt to culture, language, visa restrictions, local tax laws and other regulations.

Over the years the Company has evolved a contract management ability with a high degree of quality orientation backed by an experienced execution team which integrates the various geographical needs to ensure proper focus on customers, other stakeholders and each country's legal and procedural requirements.

Competition-related risk

The global nature of the Company' operations means that it competes not only with Indian IT companies but also global IT companies, many of whom are setting up an Indian presence due to the growing popularity of off-shoring. The IT services market globally remains very competitive.

To maintain its competitive edge in this landscape, the Company has been making significant investments in software engineering processes and offshore methodologies. All the Company's software development centers are ISO 9001 certified. Most of the Company's centers have also obtained Capability Maturity Model (CMM) Level 4 or Level 5 accreditation. The Company has built a world class sales and marketing infrastructure to service its global clientele. To achieve maximum penetration within the various target markets with a high degree of sensitivity to local culture and needs, the Company has established locally incorporated companies in several countries, which are also managed by professionals recruited in those countries.

The Company maintains constant touch with various specialist analyst firms worldwide through participation in IT conferences and industry specific events attended by CIOs of major corporations. Company believes that its rigorous research oriented approach to identify, qualify and develop relationships has been a key differentiator in the market place. The Company is leveraging its strength in its offerings like Remote Infrastructure Management (RIM) and Engineering & R&D services to gain access to new clients, geographies' and further mine its existing clients.

Employee-related risks

Attrition: Employees are key to any organization and more so for an IT-ITES company like HCL. The software industry is highly dependent on skilled human resources. With the increasing presence of global IT services corporations in India and major multinational banks and other corporations scaling up their India based operations through captive units, Company faces the risk of losing its talented employees, which in turn can impact the ability to execute its current and future projects.

The Company's innovative "employee first" campaign is in its second years and has helped curb attrition rates. In addition, the Company continues its focus on in-house training and development to ensure that its global talent pool is kept abreast of the latest developments in information technology and constantly upgraded with other soft skills and leadership training. The Company also grants ESOPs to its key performers as a means of retaining talent and this has been highly effective.

Availability of Skilled manpower: This is one of key challenges being faced by the industry. The Company has invested considerable time and resources towards developing Brand HCL in the past few quarters. During the year, HCL launched a branding program with advertisement campaigns running across print media, web and television. The advertisements were well accepted and enhanced the image and brand of the Company.

The Company remains fully informed about the competitive scenario with remuneration being constantly benchmarked to the market. The Company strives to provide world class infrastructure, excellent work culture and invests in training & development and provides opportunity for growth. The Company is committed to building a reputation as an employer of choice. Further, the Company works in

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association with the top 10 business schools including the Indian Institutes of Management (IIM). The locations of the Company's development centers are in cities where skilled manpower is available. The Company has begun looking beyond tier I cities and has bought 170 acres of land in Nagpur, Maharashtra for future expansion. The Company is working on expansion plans in tier II and tier III cities.

Exchange rate risk

The Company derives most of revenues by way of exports and therefore bills and realizes revenues in multiple currencies like US$, GBP, Euro, Yen etc. Substantial revenues are generated in US$, GBP and Euro and to a lesser extent in certain European and Asian currencies, while most of the expenses are incurred in Indian rupees and to a lesser extent in other currencies. It holds investments in certain countries, consisting primarily of investments by its subsidiaries, which are denominated in the local currency. The Company is therefore materially subject to the effects of exchange rate fluctuations.

The Company actively enters into foreign exchange forward contracts to hedge against foreign currency fluctuations related to its billed receivables and anticipated realizations from projected revenues. The Company does not speculate in foreign currency. As of June 30th 2007, Company has forward cover for approx US$ 1,160 million.

There is some foreign exchange risk which arises from accounts payable to overseas vendors. This risk is partially mitigated as the Company has receipts in foreign currency from overseas customers and holds some of its cash in foreign currency bank accounts.

Internal Control systems and their adequacy

The Company and its management have ensured that adequate systems for internal control commensurate with the Company's size are in place. These ensure that its assets and interests are carefully protected. Well-documented processes have been implemented throughout the organization to ensure that policies are promoted and adhered to. There are clear demarcation of roles and responsibilities at various levels of operations.

The Company has a dedicated Internal Audit team which ensures that

- Adequate processes, systems, internal controls are implemented and these are commensurate with the size and operations of the Company.
- Transactions are executed in accordance with policies and authorization.
- Resources have been deployed as per the business plan, policies and authorization.

The Company has a rigorous business planning system to set targets and parameters for operations which are reviewed with actual performance to ensure timely initiation of corrective action if required.

The Company's Audit Committee, which is a sub committee of the board, reviews adherence to internal control systems, internal audit reports and implementation of suggestions. This Committee reviews all quarterly and yearly results of the Company and conveys to the board its recommendation for consideration of such results and their approval.

Human Resources

The Company's unique "employees first" initiative has been recognized globally. Havard Business School came out with a Case study on HCL Technologies, further London Business School also published a report in their annual "Business Strategy Review". The Company believes that its efforts under the "employees first"program will serve well to make a difference in the Company's human resources management.

During the Fiscal year 2006-07 the Company along with its subsidiaries made a net addition of 9,391 employees as compared to 8,536 employees during the previous year. The net addition to Core Software Services in FY 06-07 was 5,994, registering an increase of 29%. In BPO Services the Company added 1,909 employees during the year, registering a growth of 20%. The company added 1,488 employees in its infrastructure services in FY 06-07, registering a growth of 50%. The total employee strength of the Company as on 30th June 2007 was 42,017 as compared to 32,626 employees as on 30th June 2006, an increase of 29%.The gender mix ratio of the Company is 76 : 24 (Men : Women) as on 30th June 2007.

Opportunities and Threats

Opportunities

The fiscal year 2006-07 witnessed a revalidation of the Indian Information Technology & Business Process Outsourcing growth story, driven by maturing appreciation of India's role and growing importance in the global services trade. The sector looks set to close the year at record levels, with the revenue aggregate growing by nearly ten times over the past ten years. While US and UK remain the dominant markets for IT-ITES exports, revenues from newer markets are growing rapidly. Large part of the Continental Europe is still to open up. Further the Japanese market for outsourcing and off shoring looks promising.

The 2007 Strategic Review, NASSCOM's annual assessment of the Indian IT-BPO industry indicates that the sector will be greatly buoyed by an escalation in global technology spend, which is expected to exceed US$ 2 trillion by 2010. Interestingly, the spend on offshoring will account for a hefty US$ 110-120 billion of this total. Clearly, global sourcing will remain high on the agenda of international companies seeking productivity and bottom-line benefits and it's "win-win" potential will be reiterated over the next few years. Since India is playing an increasingly important role in the offshore outsourcing segment, this projection assumes tremendous meaning for the IT-BPO industry. From a market opportunity perspective, the indicators continue to be positive with a potential addressable market of over USD 300 billion, driven by growth of existing business and new services line opportunities. While India continues to be the most preferred destination for global IT sourcing due to its talent pool, top-quality management and security and quality focus, there are certain short to medium term challenges that need to be addressed swiftly.

HCL is poised to grab the opportunity in each of its balanced and matured offerings. Already HCL's services cover the entire spectrum of outsourcing - right from call center oriented BPO work to high-tech service offerings in Avionics and Life Sciences. The Company witnessed higher growth rates from Infrastructure Management services in the past couple of years. This promising

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service offering where the company is rated as leader by Industry analysts, grew by 74.7% in FY 06-07 in US$ terms. NASSCOM believe this could be the 3rd wave of outsourcing. According to the NASSCOM-McKinsey Study 2005, the total addressable market for IT infrastructure off shoring, inclusive of support, network administration and help desk is around US$ 70-85 billion. Other market watchers say it will grow into a bigger business opportunity (of the order of US$80-$150 billion by 2010). Not surprisingly, Remote Infrastructure Management (RIM), is being touted as the third wave of outsourcing.

HCL has dominant positioning in the Engineering and R&D services space, the Global R&D and engineering spend in 2006 is estimated to be at USD 783 billion. Engineering spends are projected to grow across sectors, with the worldwide aggregate estimated to grow to about USD 1.1 trillion by 2020.

The global IT-BPO market is valued at around US$1trillion, and the combined market share of Indian exports is less than 3% in FY07, hence the business potential is immense. With approximately 11,200 employees and Rs. 799 crores in revenues for FY 07, HCL is one of the top BPO companies in India.

Threats

Managing the Rupee/US Dollar parity has been one of the bigger challenges that the Company faces. During quarter 4 of fiscal 07 the rupee appreciated sharply by over 6% and between June 30th 06 to June 30th 07 the rupee appreciated against the US dollar by almost 13%. Sharp appreciation in the rupee's exchange rate against the US dollar is a cause of great concern, as the Company derives over 90% of its revenues by way of exports, of which US Dollar constitutes a major chunk. The appreciation of the Indian Rupee has adverse impact on the Company's profitability as it results in lower revenues, combined with escalating costs which are primarily in rupee and this reduces margins. To counter the currency threat, the Company covers its net receivables by booking forward currency contracts. As of 30th June 2007, the Company had taken around US $ 1.16 billion of forward cover on its total consolidated revenue of US $ 1.389 billion

Manpower and Talent scarcity coupled with higher attrition is a concern. The Company has been able to contain attrition with innovative concepts like "employee first" which is now in its second year of implementation. The Company has further reinforced its branding with its new campaign hitting the TV and Print media and this helps in attracting and retaining talent across the Company.

India still continues to enjoy being the most preferred location for off shoring, but several other nations have started representing themselves as alternate destinations for offshore based outsourcing. The main challenge is from countries like China, Malaysia, Philippines, East European Countries (like Poland, Hungary, Romania etc) and Canada. The Company actively seeks to expand bases in some of these low cost countries and has taken a step by opening the Poland center towards the end of fiscal 07.

Apart from the low cost countries, threats also loom large from some of the leading Global IT Services companies who are setting up bases and ramping up manpower in India. The Company is addressing these challenges by coming up with differentiated services, innovative pricing models and service excellence.

RESULTS OF OPERATIONS (CONSOLIDATED)

(Rs. In Crore)

Particulars	For the Year Ended 30 June 2007		For the Year Ended 30 June 2006		Growth
	Amount	% Income	Amount	% Income	% Increase
Revenues	6,068.7	93.0%	4,571.6	97.7%	32.7%
Other Income	455.9	7.0%	109.3	2.3%	317.1%
Total Income	**6,524.6**	**100.0%**	**4,680.9**	**100.0%**	**39.4%**
Cost of Revenues	3,357.5	51.5%	2,494.7	53.3%	34.6%
Administration and other expenses	1,477.3	22.6%	1,165.6	24.9%	26.7%
Finance costs	8.0	0.1%	8.1	0.2%	-1.3%
Depreciation and amortisation	253.9	3.9%	203.1	4.3%	25.0%
Total Expenditure	**5,096.7**	**78.1%**	**3,871.5**	**82.7%**	**31.6%**
Profit before tax	**1,427.9**	**21.9%**	**809.4**	**17.3%**	**76.4%**
Provision for tax	104.1	1.6%	55.9	1.2%	86.2%
Minority Interest	5.5	0.1%	1.8	0.0%	217.2%
Profit after tax	**1,318.3**	**20.2%**	**751.7**	**16.1%**	**75.4%**

FISCAL 2007 COMPARED TO FISCAL 2006

During the fiscal 2006, DSL Software Ltd., Shipara Technologies Ltd., HCL Technologies BPO Services Ltd., HCL Technologies (Mumbai) Ltd., Aquila Technologies Ltd. and HCL Enterprise Solutions (India) Ltd. (Transferor Companies), all subsidiaries of the Company, were amalgamated with the Company retrospectively from 01 April 2005, the appointed date as per the scheme of amalgamation approved by the Hon'ble High Courts of Delhi and Karnataka.

Accordingly, the results of the Company for the year ended 30 June 2006, included the results of the Transferor Companies for the fifteen months period from 01 April 2005, to 30 June 2006, and therefore, the results for 2007 are not comparable with those for 2006.

The table below gives a comparison of the results for 2007 with those for 2006 after excluding the results of Transferor Companies for the period 01 April 2005 to 30 June 2005 from fiscal 2006:

(Rs in Crore)

Particulars	For the Year Ended 30 June 2007		For the Year Ended 30 June 2006		Growth
	Amount	% Income	Amount	% Income	% Increase
Revenues	6,068.7	93.0%	4,361.5	97.6%	39.1%
Other Income	455.9	7.0%	106.4	2.4%	328.5%
Total Income	**6,524.6**	**100.0%**	**4,467.9**	**100.0%**	**46.0%**
Cost of Revenues	3,357.5	51.5%	2,399.9	53.7%	39.9%
Administration and other expenses	1,477.3	22.6%	1,122.0	25.1%	31.7%
Finance costs	8.0	0.1%	7.3	0.2%	10.6%
Depreciation and amortisation	253.9	3.9%	193.0	4.3%	31.5%
Total Expenditure	**5,096.7**	**78.1%**	**3,722.2**	**83.3%**	**36.9%**
Profit before tax	**1,427.9**	**21.9%**	**745.7**	**16.7%**	**91.5%**
Provision for tax	104.1	1.6%	53.3	1.2%	95.2%
Minority Interest	5.5	0.1%	1.8	0.0%	217.2%
Profit after tax	**1,318.3**	**20.2%**	**690.6**	**15.5%**	**90.9%**

The analysis that follows has been done based on a comparison with the adjusted figures for 2006 as given in the above table.

Revenues:-

Revenues during 2007 have grown by 39.1% as compared to fiscal 2006. During 2007, the rupee has significantly strengthened against the US$ and to a lower extent against European currencies. The growth in revenues has been achieved despite the negative impact of the strengthening of the rupee on over 90% of the Company's revenue which is denominated in foreign currencies.

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The Company derives its revenue from three segments viz information technology (software), infrastructure management and business process outsourcing services. Among the three segments, revenues from infrastructure management services have registered the highest growth rate of 72.3%. Segment wise details are given below:

(Rs. in Crore)

Particulars	For the Year Ended 30 June 2007 Amount	% Income	For the Year Ended 30 June 2006 Amount	% Income	Growth % Increase
Information Technology (Software)	4,413.6	72.7%	3,280.0	75.2%	34.6%
Infrastructure Management Service	851.2	14.0%	494.0	11.3%	72.3%
Business Process Outsourcing	803.9	13.2%	587.5	13.5%	36.8%
Total	6,068.7		4,361.5		39.1%

Cost of Revenues:-

(Rs. in Crore)

Particulars	For the Year Ended 30 June 2007 Amount	% Revenue	For the Year Ended 30 June 2006 Amount	% Revenue	Growth % Increase
Cost of Goods Sold	190.7	3.1%	126.6	2.9%	50.7%
Personnel Expenses	2,872.2	47.3%	2,037.0	46.7%	41.0%
Software Development expenses	274.1	4.5%	216.9	5.0%	26.4%
License and transponder fee	20.5	0.3%	19.4	0.4%	5.4%
Total	3,357.5		2,399.9		39.9%

The cost of revenues increased by 39.9% from Rs. 2,399.9 crores in 2006 to Rs. 3,357.5 crores in 2007. This increase is mainly on account of increase in personnel costs. Personnel costs of the Company increased to Rs. 2,872.2 crores in 2007 from Rs. 2,037.0 crores in 2006, an increase of 41%. Personnel costs as a percentage of revenues have increased to 47.3 % in fiscal 2007 from 46.7 % in fiscal 2006.

The increase in personnel costs has been driven primarily by an increase in the number of employees during the year from a total of 32,626 at the end of fiscal 2006 to 42,017 at the end of fiscal 2007. The Company also subcontracts certain projects to or hires consultants from third parties. These costs increased to Rs. 274.1 crores in fiscal 2007 from Rs. 220.9 crores in fiscal 2006, an increase of 24.1%.

Administration and other expenses:-

(Rs. in Crore)

Particulars	For the Year Ended 30 June 2007 Amount	% Revenue	For the Year Ended 30 June 2006 Amount	% Revenue	Growth % Increase
Rent	126.7	2.1%	94.6	2.2%	33.8%
Power & Fuel	77.0	1.3%	53.4	1.2%	44.1%
Travel and conveyance	612.4	10.1%	408.0	9.4%	50.1%
Communication costs	106.8	1.8%	86.0	2.0%	24.2%
Recruitment Training & Development	50.7	0.8%	34.2	0.8%	48.3%
Exchange differences	-	0.0%	81.1	1.9%	-100.0%
Others	503.7	8.3%	364.7	8.4%	38.2%
Total	1,477.3		1,122.0		31.7%

The administration and other expenses increased by 31.7% from Rs. 1,122.0 crores in 2006 to Rs. 1477.3 crores in 2007. This was mainly on account of increase in project related travel costs, increase in rent, power & fuel and other establishment costs. During 2006, Company had incurred exchange losses of Rs. 81.1 crores while in 2007 the Company has exchange gains of Rs. 346.5 crores which is included under 'Other Income'. The exchange gains/ losses are on account of mark to market the forward cover taken by the company to hedge its cash inflows from forecast revenues and from restatement of foreign currency assets and liabilities.

Depreciation & amortisation:-

Depreciation increased to Rs. 253.9 crores in fiscal 2007 from Rs. 193.0 crores in fiscal 2006. This increase is mainly due to the addition of Rs. 109.0 crores in computers and Rs. 264.2 crores in other assets to meet the need of expanding business.

Other income:-

(Rs in Crore)

Particulars	For the Year Ended 30 June 2007 % Amount	For the Year Ended 30 June 2006 % Amount	Growth % Increase
Interest Income	13.5	3.7	262.4%
Dividend from Investments	9.1	5.4	67.3%
Profit on sale of Investments	79.2	88.9	-10.9%
Exchange Differences	346.5	-	0.0%
Others	7.6	8.4	-8.7%
Total	455.9	106.4	328.5%

The Company's other income is Rs. 455.9 crores in 2007 as compared to Rs. 106.4 crores in 2006. Other income has two major components (1) Income from deployment of surplus funds which includes interest income on bank fixed deposits and bonds, dividend on investment in debt mutual funds and gains resulting from sale of such investments. To take advantage of the lower tax rate applicable to long-term capital gains, the Company invests in growth funds and has unrealized capital gains of Rs. 79.7 crores as at end of fiscal year 2007. (2) Exchange gain on account of changes in fair value of foreign currency forward covers and translation of foreign currency assets and liabilities. As at the end of the fiscal year the Company had Rs. 5,980.8 crores of forward cover contracts and options outstanding.

Profit before tax:-

Profit before tax increased by 91.5% during the fiscal from Rs. 745.7 crores to Rs. 1,428.0 crores. As a percentage of total income this increased from 16.7% in 2006 to 21.9% in 2007.

Taxation:-

The net tax expense for 2007 was Rs. 104.1 crores compared to Rs. 53.3 crores in 2006. The increase in tax expense is on account of higher income from foreign currency fluctuations during 2007 and provision for taxes payable on foreign operations.

A substantial portion of the profits of the Company's India operations is exempt from income tax, these profits being attributable to export operations of undertakings situated in Software Technology Parks (STP). Under the tax holiday, the taxpayer can utilize an exemption from income tax for a period of any ten consecutive years beginning from the financial year when the unit started operations. The tax holiday on all facilities under STPs expires in stages by 2009. The profits arising out of the domestic business are subject to corporate income tax at the rate of 30% plus applicable surcharge and education cess. The exemption period on certain undertakings has expired in 2006 and 2007. The Company is in the process of developing three campuses at Noida, Chennai and Bangalore in its SEZ approved facilities. Income from SEZ's is fully exempt from tax for the first 5 years, 50% exempt for the next five years and 50% exempt for the next five years subject to fulfilling certain conditions.

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Net profit:-

The Company's profit after tax increased to Rs. 1,318.3 crores in fiscal 2007 from Rs. 690.7 crores in fiscal 2006, an increase of 90.9%. As a percentage of total income this increased from 15.5% to 20.2%.

FINANCIAL POSITION

Share capital:-

(Rs. in Crore)

Particulars	As at 30 June 2007	As at 30 June 2006
Authorized Share Capital	150.0	125.5
Issued Subscribed & Paid Up	132.7	64.7
Total	132.7	64.7

The authorized share capital was increased to 75,00,00,000 shares of Rs. 2 each pursuant to a shareholders resolution passed on 12 February 2007.

The Company allotted 32,54,53,918 equity shares of Rs. 2 each as fully paid up bonus shares in the ratio of 1:1 on 17 March 2007 by capitalization of Securities Premium Account.

Reserves and surplus:-

Reserves and surplus of the Company stood at Rs. 3,934.5 crores at the end of fiscal 2007 as against Rs. 3,037.6 crores at the end of fiscal 2006, an increase of 29.5%. Out of the profits in fiscal 2007, an amount of Rs. 110.2 crores has been transferred to General Reserve.

During the year the Company has distributed dividend @ 400% of (adjusted for 1:1 bonus shares) par value of Rs. 2/- per share.

Loans:-

Since the Company has surplus funds, it does not have any significant secured or unsecured loans except lease obligations in respect of certain assets taken on finance lease. Total loans (including finance lease obligations) stood at Rs. 76.8 crores at the end of fiscal 2007.

Fixed Assets:-

The Company has made additions of Rs. 374.1 crores during 2007 which comprises computers, software, other equipments and investment in facilities. Gross block of fixed assets as at the end of fiscal 2007 stood at Rs. 1948.8 crores and capital work in progress (including capital advances) stood at Rs. 218.4 crores.

Investments:-

(Rs in Crore)

Particulars	As at 30 June 2007	As at 30 June 2006
Debt Mutual Funds	1541.3	1,502.6
Other Investments	12.4	22.2
Total	1,553.7	1,524.8

The Company deploys its surplus funds primarily in debt mutual funds and bank fixed deposits. Investments in debt mutual funds increased to Rs. 1,541.3 crores as at the end of fiscal 2007 from Rs. 1,502.6 crores as at the end of fiscal 2006.

Sundry debtors:-

Sundry debtors stood at Rs. 1,101.1 crores on 30 June 2007 compared to Rs. 870.8 crores at the end of 30 June 2006. The Company has increased its focus on collections and has been successful in reducing sundry debtors as a percentage of revenue to 18.1 % at the end of fiscal 2007 from 19.9% at the end of fiscal 2006.

Cash & Bank balances:-

Cash and bank balances as at the end of 2007 increased to Rs. 660.7 crores from Rs. 312.5 crores as at the end of 2006. This increase is primarily on account of increase in deployment of surplus funds in Fixed Deposit Accounts with banks.

Loans and advances:-

Loans and advances stood at Rs. 345.9 crores as at the end of 2007 against Rs. 260.0 crores as at the end of 2006. Loans and advances include a sum of Rs. 33.6 crores being Minimum Alternate Tax (MAT) payable by the Company on its exempted profits out of Software Technology Park (STP) units as the Company believes that such tax payable will be offset against the taxes payable after March 2009 when tax exemption for STP units expires.

Other current assets:-

The exchange gains/ losses are on account of mark to market of forward covers taken by the Company to hedge its cash inflows from forecast revenues and reinstatement of foreign currency assets and liabilities. Gains or losses arising due to changes in fair value of forward contracts have been recognized in the Profit & Loss Account. Other current assets include a sum of Rs. 277.1 crores being the unrealized gain on such forward contracts.

Current Liabilities and Provisions:-

Current Liabilities & Provisions stood at Rs. 1,160.3 crores as at the end of 2007 against Rs. 922.6 crores as at the end of 2006.

CASH FLOWS

Cash Flows from Operating Activities:-

Cash generated from operations provides the major source of funds for the growth of the business. Net cash provided by operating activities was Rs. 1,079.8 crores and Rs. 753.9 crores in fiscal 2007 and 2006 respectively. The increase in cash from operating activities in 2007 is due to growth in business activities and profitability of the Company.

Cash Flows from Investing Activities:-

In fiscal 2007, an amount of Rs. 389.7 crores was invested in fixed assets. During the year, the amount withdrawn (net) from debt mutual funds was lower at Rs. 39.6 crores as against Rs. 258.6 crores in 2006 due to increase in cash flow from operations. Net cash outflow, from investing activities was Rs. 340.8 crores in fiscal 2007 as compared to outflow of Rs. 44.7 crores in fiscal 2006.

Cash Flows from Financing Activities:-

Cash flow from financing activities in the year under review was an outflow of Rs. 382.2 crores mainly due to an outflow of Rs. 599.2 crores pertaining to the dividend declared in the previous fiscal year as well as the interim dividends paid during the year. This was partly offset by proceeds of Rs. 227.2 crores from issue of shares on exercise of stock options by the employees.

As a result, the total amount of cash and cash equivalents available with the Company on 30 June 2007, was Rs. 660.7 crores, which includes fixed deposits with banks of Rs. 275.1 crores. The management believes that these balances together with cash from continuing operations and existing credit facilities will be sufficient to meet all current and near term needs of the Company.

HCL Technologies Limited (Standalone):-

The Consolidated Financial Statements brings out comprehensively the performance of the Company and are more relevant for understanding the Company's Performance.

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The discussion in paragraph 1 which follows should be read in conjunction with the financial statements and related notes relevant to HCLT Limited (Standalone) for the year ended 30 June 2007.

RESULTS OF OPERATIONS (STANDALONE)

(Rs. in Crore)

Particulars	For the Year Ended 30 June 2007		For the Year Ended 30 June 2006		Growth
	Amount	% Income	Amount	% Income	% Increase
Revenues	3,768.6	89.6%	3,032.9	97.3%	24.3%
Other Income	439.4	10.4%	83.3	2.7%	427.3%
Total Income	4,208.0	100.0%	3,116.2	100.0%	35.0%
Cost of revenues	2,005.9	47.7%	1,635.0	52.5%	22.7%
Administration and other expenses	833.3	19.8%	675.9	21.7%	23.3%
Finance costs	13.0	0.3%	12.7	0.4%	1.8%
Depreciation & amortisation	178.2	4.2%	138.8	4.5%	28.4%
Total Expenditure	3,030.4	72.0%	2,462.4	79.0%	23.1%
Profit before tax	1,177.7	28.0%	653.8	21.0%	80.1%
Provision for tax	75.9	1.8%	15.4	0.5%	391.4%
Profit after tax	1,101.8	26.2%	638.4	20.5%	72.6%

FISCAL 2007 COMPARED TO FISCAL 2006

During the fiscal 2006, DSL Software Ltd., Shipara Technologies Ltd., HCL Technologies BPO Services Ltd., HCL Technologies (Mumbai) Ltd., Aquila Technologies Ltd. and HCL Enterprise Solutions (India) Ltd (Transferor Companies), all subsidiaries of the Company, were amalgamated with the Company retrospectively from 01 April 2005, the appointed date as per the scheme of amalgamation approved by the Hon'ble High Courts of Delhi and Karnatka.

Accordingly, the results for the year ended 30 June 2006 included the results of the Transferor Companies for the fifteen months period from 01 April 2005 to 30 June 2006 and therefore, above results for the fiscal 2007 are not comparable with results of fiscal 2006.

The table below gives a comparison of the results for fiscal 2007 with those for 2006 after excluding the results of Transferor Companies for the period 01 April 2005 to 30 June 2005 from fiscal 2006:-

(Rs. in crore)

Particulars	For the Year Ended 30 June 2007		For the Year Ended 30 June 2006		Growth
	Amount	% Income	Amount	% Income	% Increase
Revenues	3,768.6	89.6%	2,822.9	97.2%	33.5%
Other Income	439.4	10.4%	80.4	2.8%	446.5%
Total Income	4,208.0	100.0%	2,903.3	100.0%	44.9%
Cost of revenues	2,005.9	47.7%	1,540.2	53.0%	30.2%
Administration and other expenses	833.3	19.8%	632.3	21.8%	31.8%
Finance costs	13.0	0.3%	11.9	0.4%	9.3%
Depreciation & amortisation	178.2	4.2%	128.7	4.4%	38.4%
Total Expenditure	3,030.4	72.0%	2,313.1	79.7%	31.0%
Profit before tax	1,177.7	28.0%	590.2	20.3%	99.5%
Provision for tax	75.9	1.8%	12.9	0.4%	489.5%
Profit after tax	1,101.8	26.2%	577.3	19.9%	90.8%

Analysis in this document has been done based on comparison with adjusted figures for 2006 as given in the above table.

Revenues:-

Revenue during the fiscal 2007 has grown by 33.5% as compared to fiscal 2006. The Company derives its revenue from two segments viz Information Technology (Software) and Business Process Outsourcing Services. Among the two segments, BPO revenues have registered higher growth rate of 58.2%. Segment wise details are given below:

(Rs. in Crore)

Particulars	For the Year Ended 30 June 2007		For the Year Ended 30 June 2006		Growth
	Amount	% total	Amount	% total	% Increase
Information Technology (Software)	3,240.8	86.0%	2,489.3	88.2%	30.2%
Business Process Outsourcing	527.8	14.0%	333.6	11.8%	58.2%
Total	3,768.6		2,822.9		33.5%

Cost of Revenues:-

(Rs in Crore)

Particulars	For the Year Ended 30 June 2007		For the Year Ended 30 June 2006		Growth
	Amount	% Revenue	Amount	%f Revenue	% Increase
Personnel Expenses	1,448.6	38.4%	1,091.3	38.7%	32.7%
Software Development expenses	557.3	14.8%	448.9	15.9%	24.2%
Total	2,005.9		1,540.2		30.2%

The cost of revenues increased by 30.2% from Rs. 1,540.2 crores in fiscal 2006 to Rs. 2,005.9 crores in fiscal 2007. This was mainly on account of an increase in personnel costs. Personnel costs of the Company increased to Rs. 1,448.6 crores in fiscal 2007 from Rs. 1,091.3 crores in fiscal 2006, an increase of 32.7%. The increase in personnel costs has been driven by an increase in number of employees during the year from total of 17,814 at the end of fiscal year 2006 to 25,474 at the end of fiscal 2007.

The Company also subcontracts certain projects to or hires consultants from third parties. These costs increased to Rs. 557.3 crores in fiscal 2007 from Rs. 448.9 crores in fiscal 2006, an increase of 24.1%.

Administration and other expenses:-

(Rs in Crore)

Particulars	For the Year Ended 30 June 2007		For the Year Ended 30 June 2006		Growth
	Amount	% Revenue	Amount	% Revenue	% Increase
Rent	88.5	2.3%	66.4	2.4%	33.3%
Power & fuel	63.4	1.7%	48.4	1.7%	31.0%
Travel and conveyance	327.7	8.7%	197.7	7.0%	65.7%
Communication costs	68.9	1.8%	57.9	2.1%	19.0%
Recruitment, training and development	36.0	1.0%	25.6	0.9%	40.5%
Exchange differences	-	0.0%	82.9	2.9%	-100.0%
Others	248.8	6.6%	153.4	5.4%	62.2%
Total	833.3		632.3		31.8%

The administration and other expenses increased by 31.8% from Rs. 632.3 crores in fiscal 2006 to Rs. 833.3 crores in fiscal 2007. This was mainly on account of increase in project related travel costs, increase in rent and other establishment costs. During fiscal 2006, the Company had incurred exchange losses of Rs. 82.9 crores while during fiscal 2007 the Company has exchange gains of Rs. 345.3 crores which appears under 'Other Income'. The exchange gains/ losses are on account of mark to market of forward covers taken by the Company to hedge its cash inflows from forecast revenues and restatement of foreign currency assets and liabilities.

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Depreciation & amortisation:-

Depreciation increased to Rs. 178.2 crores in fiscal 2007 from Rs. 128.7 crores in fiscal 2006. This increase is mainly due to the addition of Rs. 92.8 crores in computers and Rs. 231.7 crores in other assets to meet the need of expanding business.

Other income:-

(Rs. in Crore)

Particulars	For the Year Ended 30 June 2007 Amount	For the Year Ended 30 June 2006 Amount	Growth %Increase
Interest Income	9.0	1.9	386.7%
Dividend from investments	4.1	2.6	56.3%
Profit on sale of Investment	77.7	72.9	6.6%
Exchange Differences	345.3	-	0.0%
Recruitment, training and development	36.0	25.6	40.5%
Exchange differences	-	82.9	-100.0%
Others	3.3	3.0	8.3%
Total	439.4	80.4	446.5%

The Company's other income is Rs. 439.4 crores in fiscal 2007 as compared to Rs. 80.4 crores in fiscal 2006. It has two major components (1) Income from deployment of surplus funds which includes interest income on bank fixed deposits, dividend on investment in debt mutual funds and gains resulting from sale of such investments. To take advantage of the lower tax rate applicable to long-term capital gains, the Company invests in growth funds and has unrealized capital gains of Rs. 75.7 crores as at the end of fiscal year 2007. (2) Exchange gain on account of change in fair value of foreign currency forward covers and translation of foreign currency assets and liabilities. As at the end of the fiscal year the Company has outstanding forward cover contracts and options amounting to Rs. 5,894.3 crores.

Profit before tax:-

Profit before tax increased by 99.5% during the fiscal year 2007 from Rs. 590.2 crores to Rs. 1,177.7 crores. As a percentage of total income this increased from 20.3% in 2006 to 28.0% in 2007.

Taxation:-

The net tax expense for fiscal 2007 was Rs. 75.9 crores as compared to Rs. 12.9 crores in fiscal 2006. Increase in tax expense is on account of higher exchange income during fiscal 2007 and provision for taxes payable on foreign operations.

A substantial portion of the profits of the Company's India operations is exempt from income tax, these profits being attributable to export operations of undertakings situated in Software Technology Parks (STP). Under the tax holiday, the taxpayer can utilize an exemption from income tax for a period of any ten consecutive years beginning from the financial year when the unit started operations. The tax holiday on all facilities under STPs expires in stages by 2009. The profits arising from the domestic business are subject to corporate income tax at the rate of 30% plus applicable surcharge and education cess. The exemption period on certain undertakings have expired in 2005 and 2006.The Company is in the process of developing three campuses at Noida, Chennai and Bangalore in its SEZ approved facilities. Income from SEZ's is fully exempt from tax for the first 5 years, 50% exempt for the next five years and 50% exempt for the next five years subject to fulfilling certain conditions.

Net profit:-

The Company's profit after tax increased to Rs. 1,101.8 crores in fiscal 2007 from Rs. 577.3 crores in fiscal 2006, an increase of 90.9%. As a percentage of total income from 19.9% in 2006 to 26.2% in 2007.

FINANCIAL POSITION

Share capital:-

The authorized share capital was increased to 75,00,00,000 shares of Rs. 2 each pursuant to a shareholders resolution passed at 12 February 2007.

(Rs. in Crore)

Particulars	As at 30 June 2007	As at 30 June 2006
Authorized Share Capital	150.0	125.5
Issued Subscribed & Paid Up	132.7	64.7
Total	132.7	64.7

The company allotted 32,54,53,918 equity shares of Rs. 2 each as fully paid up bonus shares in the ratio of 1:1 on 17 March 2007 by capitalization of Securities Premium Account.

Reserves and surplus:-

Reserves and surplus of the Company stood at Rs. 3,292.3 crores at the end of fiscal 2007 as against Rs. 2,511.2 crores at the end of fiscal 2006, an increase of 31.1%. Out of the profits in fiscal 2007, an amount of Rs. 110.2 crores has been transferred to General Reserve.

During the year Company has distributed dividend @ 400% of (adjusted for 1:1 bonus shares) par value of Rs. 2/- per share. This amounts to 12.1% of profit after taxation.

Loans:-

Since the Company has surplus funds, it does not have any significant secured or unsecured loans except lease obligations in respect of certain assets taken on finance leases. Total loans (including finance lease obligations) stood at Rs. 40.9 crores at the end of fiscal 2007.

Fixed Assets:-

Company has made additions of Rs. 324.5 crores during fiscal 2007 which comprises computers, software, other equipments and investment in facilities. Gross block of fixed assets as at the end of fiscal 2007 stood at Rs. 1,332.7 crores and capital work in progress (including capital advances) stood at Rs. 212.9 crores.

Investments:-

Company deploys its surplus funds primarily in debt mutual funds and bank fixed deposits. Investment in debt mutual funds increased to Rs. 1,414.4 crores as at the end of fiscal 2007 from Rs. 1,323.3 crores as at the end of fiscal 2006.

(Rs. in Crore)

Particulars	As at 30 June 2007	As at 30 June 2006
Investments in Subsidiaries and Joint venture	551.6	551.6
Debt Mutual Funds	1,414.4	1323.3
Other Investments	22.8	32.8
Total	1,988.8	1,907.7

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Sundry debtors:-

Sundry debtors stood at the end of fiscal 2007 of Rs. 712.5 crores against Rs. 646.0 crores at the end of fiscal 2006. Company has increased its focus on collections and has been successful in reducing sundry debtors as a percentage of revenue to 18.9 % at the end of fiscal 2007 from 22.8% at the end of fiscal 2006.

Cash & Bank balances:-

Cash and bank balances as at the end of fiscal 2007 increased to Rs. 380.9 crores from Rs. 106.2 crores as at the end of fiscal 2006. This increase is primarily on account of increase in deployment of surplus funds in Fixed Deposit Accounts with banks.

Loans and advances:-

Loans and advances stood at Rs. 411.1 crores as at the end of fiscal 2007 against Rs. 275.6 crores as at the end of fiscal 2006. Loans and advances include a sum of Rs. 31.9 crores being Minimum Alternate Tax (MAT) payable by the Company on its exempted profits out of Software Technology Park (STP) units as the Company believes that such tax payable will be offset against the taxes payable after March 2009 when tax exemption for STP units expires.

Other current assets:-

The exchange gains/ losses are on account of mark to market of forward covers taken by the Company to hedge its cash inflows from forecast revenues and reinstatement of foreign currency assets and liabilities. Gain or losses arising due to change in fair value of forward contracts have been recognized in the Profit & Loss Account. Other current assets include Rs. 275.5 crores being unrealized gain on such forward contracts.

Current Liabilities and Provisions:-

Current Liabilities & Provisions stood at Rs. 1,318.4 crores as at the end of fiscal 2007 against Rs. 1,135.1 crores as at the end of fiscal 2006.

CASH FLOWS

Cash Flows from Operating Activities:-

Cash generated from operations provides the major sources of funds for the growth of the business. Net cash provided by operating activities was Rs. 997.9 crores and Rs. 772.5 crores in fiscal 2007 and 2006 respectively. The increase in cash from operating activities in fiscal 2007 is due to growth in business activities and profitability of the company.

Cash Flows from Investing Activities:-

In fiscal 2007, Rs. 330.2 crores was invested in fixed assets. During the year, the Company has made investments of Rs. 13.4 crores (net) in debt mutual funds as against withdrawal (net) of Rs. 202.0 crores in 2006 due to increased cash flow from operations. Net cash outflow from investing activities was Rs. 341.5 crores in the current year compared to an outflow of Rs. 133.3 crores in the previous year.

Cash Flows from Financing Activities:-

Cash flow from financing activities in the current year was an outflow of Rs. 381.5 crores mainly due to an outflow of Rs. 599.2 crores pertaining to the dividend declared in the previous fiscal year as well as the interim dividends paid during this year. This was partly offset by proceeds of Rs. 227.2 crores from issue of shares on exercise of stock options by the employees.

As a result, the total amount of cash and cash equivalents available with the Company on 30 June 2007, was Rs. 380.9 crores, which includes fixed deposits with banks of Rs. 275.1 crores. The Management believes that these balances together with cash from continuing operations and existing credit facilities will be sufficient to meet all current and near term needs of the Company.

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting this Fifteenth Annual Report together with the Audited Accounts for the year ended June 30, 2007.

FINANCIAL RESULTS

The highlights of the consolidated financial results of your Company and its subsidiaries prepared under Indian GAAP are as follows:

(Rs. in crores)

	Year ended June 30,2007	Year ended June 30,2006
Income		
Revenues	6068.74	4,571.58
Other income	455.85	109.29
	6,524.59	4,680.87
Expenditure		
Cost of Revenues	3,357.46	2,494.72
Administration and other expenses	1,477.29	1,165.60
Finance costs	8.03	8.13
Depreciation and amortisation	253.86	203.05
	5,096.64	3,871.50
Profit before tax, minority interests, share of loss of equity investees and amalgamation adjustment	1,427.95	809.37
Provision for tax	(104.08)	(55.89)
Profit before minority interests, share of loss of equity investees and amalgamation adjustment	1,323.87	753.48
Adjustment under the scheme of amalgamation of companies	-	(61.06)
Profit before minority interests and share of loss of equity investees	1,323.87	692.42
Share of minority shareholders	(5.56)	(1.75)
Net Profit	1,318.31	690.67

Note: In accordance with a scheme of amalgamation concluded in the previous year, the consolidated financial results of the Company for the year ended June 30, 2006 include the results of the merged companies for the fifteen months period from April 01, 2005 to June 30, 2006 which contain an adjustment of Rs. 61.06 crores in the Profit & Loss Account. Hence, the results for the year are not comparable with the previous year.

The highlights of the financial results of your Company as a stand-alone entity prepared under Indian GAAP are as follows:

(Rs. in crores)

	Year ended June 30,2007	Year ended June 30,2006
Income		
Revenues	3,768.62	3,032.92
Other income	439.42	83.34
	4,208.04	3,116.26
Expenditure		
Cost of Revenues	2,005.91	1,634.99
Administration and other expenses	833.26	675.90
Finance costs	12.97	12.74
Depreciation	178.21	138.80
	3,030.35	2,462.43
Profit before tax	1,177.69	653.83
Provision for tax	(75.87)	(15.44)
Profit after tax	1,101.82	638.38
Balance brought forward from previous year	1,185.99	836.20
Profit acquired under the scheme of amalgamation	-	363.73
Amount available for appropriation	2,287.81	1,838.31
Appropriations		
Proposed final dividend [including Rs. 0.45 crores (previous year Rs. 0.66 crores) paid for previous year]	133.19	130.04
Corporate dividend tax on proposed final dividend [including Rs.0.06 crores (previous year Rs. 0.09 crores) paid for previous year]	22.62	18.24
Interim dividend	392.40	386.06
Corporate dividend tax on interim dividend	58.98	54.14
Transfer to general reserve	110.18	63.84
Balance carried forward	1,570.44	1,185.99
Total	2,287.81	1,838.31

Note: In accordance with a scheme of amalgamation concluded in the previous year, the standalone financial results of the Company for the year ended June 30, 2006 include the results of the merged companies for the fifteen months period from April 01, 2005 to June 30, 2006. Hence, the results for the year are not comparable with the previous year.

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TRANSFER TO RESERVES

Your Company proposes to transfer Rs. 110.18 crores to the general reserve. An amount of Rs. 1,570.44 crores is proposed to be carried forward in the Profit & Loss Account.

OVERVIEW

During the financial year 2006-07, your Company's revenues stood at Rs. 3,768.62 crores registering a growth of 24.26% over the previous year and profit after tax was Rs. 1,101.82 crores registering a growth of 72.6% over the previous year.

On a consolidated basis, the Company's revenues for the year 2006-07 stood at Rs. 6,068.74 crores registering a growth of 32.75% over the previous year and net profit was at Rs. 1,318.32 crores registering a growth of 90.88% over the previous year.

A detailed analysis on the Company's performance is included in the Management's Discussion and Analysis Report titled as "Management's Discussion and Analysis", which forms part of this Annual Report.

DIVIDEND

Your directors are pleased to recommend a final dividend of Rs. 2 per share for the financial year ended June 30, 2007, subject to approval of the shareholders at the ensuing Annual General Meeting. During the year under review, your directors had declared and paid three interim dividends as per the details given hereunder:

S. No.	Interim dividend paid during the year ended June,30 2007	Rate of dividend	Amount of dividend paid Rs./crores	Distribution tax paid by the Company Rs./crores	Total Outflow Rs./ crores
1.	1st Interim Dividend	Rs. 2/- per share*	129.66	18.18	147.84
2.	2nd Interim Dividend	Rs. 2/- per share*	130.00	18.23	148.23
3.	3rd Interim Dividend	Rs. 2/- per share	132.74	22.56	155.30

* Adjusted for bonus shares allotted during the year in the ratio of 1:1.

The total amount of dividend (including interim dividends paid) for the year ended June 30, 2007 shall be Rs. 525.14 crores as against Rs. 515.44 crores for the previous year. Dividend distribution tax paid/ payable by the Company for the year would amount to Rs. 81.60 crores.

AMALGAMATION OF SUBSIDIARIES

- HCL Venture Capital Ltd., a company incorporated in Bermuda and a downstream subsidiary of the Company was merged with HCL Bermuda Ltd., a company incorporated in Bermuda and a subsidiary of the Company w.e.f. February 14, 2007.
- HCL Technologies (Mass.) Inc., a company incorporated in United States of America (USA) and a down stream subsidiary of the Company was merged with HCL America Inc., a company incorporated in United States of America (USA) and a downstream subsidiary of the Company w.e.f April 01, 2007.

SUBSIDIARIES CLOSED DURING THE YEAR

During the year under review, E Serve Holdings Ltd., a company incorporated in Mauritius, HCL m.a. Ltd., a company incorporated in United Kingdom (U.K.) and Insys Inc., a company incorporated in Canada, all downstream subsidiaries of the company were wound up.

SUBSIDIARIES FORMED DURING THE YEAR

HCL Poland sp.zo.o.

During the year under review, the Company through its downstream subsidiary in Austria, incorporated a subsidiary viz. HCL Poland sp.zo.o. for carrying on software services, infrastructure support and other related activities.

SUBSIDIARIES - FINANCIALS

The Company has 27 subsidiaries as on June 30, 2007. The Company was granted exemption for the year ended June 30, 2007 by the Ministry of Corporate Affairs from annexing the accounts and other information of the subsidiaries along with the accounts of the Company, as required under Section 212 of the Companies Act, 1956.

As per the terms of exemption letter, a statement containing brief financial details of the Company's subsidiaries for the year ended June 30, 2007 is included in the Annual Report.

As required under the Listing Agreements with the Stock Exchanges consolidated Financial Statements of the Company and its subsidiaries are attached.

CHANGES IN CAPITAL STRUCTURE

Authorised Share Capital

During the year under review, pursuant to the approval of the shareholders on February 12, 2007, through postal ballot under Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolutions by Postal Ballot) Rules, 2001, the Authorised Share Capital of the Company has been increased from Rs. 1,25,45,00,000 (Rupees One Hundred Twenty Five Crores Forty Five Lacs Only) divided into 62,72,50,000 (Sixty Two Crores Seventy Two Lacs Fifty Thousand Only) equity shares of Rs. 2/- each (Rupees Two) to Rs. 150,00,00,000 (Rupees One Hundred Fifty Crores Only) divided into 75,00,00,000 (Seventy Five Crore only) equity shares of Rs. 2/- each.

Issued and Paid-up Share Capital

- **Issue of shares under Employee Stock Option Plans**

 During the year ended June 30, 2007, the Company allotted 16,798,416 equity shares of Rs. 2/- each fully paid up (adjusted for bonus issue in the ratio of 1:1) under its Employees Stock Option Plans ("ESOP").

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- **Issue of bonus shares**

 The Company on March 17, 2007 allotted 32,54,53,918 equity shares of Rs. 2/- each fully paid-up as bonus shares to the equity shareholders of the Company in the ratio of one equity share for every one equity share held by them on the record date of March 16, 2007, by capitalization of a sum of Rs. 65,09,07,836/- from the Securities Premium Account of the Company. The said equity shares ranked pari-passu in all respects including dividend with the existing equity shares of the Company.

 As on June 30, 2007, the issued and paid-up share capital of the Company was Rs. 132,73,66,232/- (previous year: Rs. 64,68,84,700/-) comprising 66,36,83,116 (previous year: 32,34,42,350/-) equity shares of Rs. 2/- each fully paid-up.

STOCK OPTIONS PLANS

1999 Stock Option Plan / 2000 Stock Option Plan / 2004 Stock Option Plan

The details on these plans have been annexed to this report.

SHARES UNDER COMPULSORY DEMATERIALIZATION

The equity shares of your Company are included in the list of specified scrips where delivery of shares in dematerialized (demat) form is compulsory effective July 24, 2000, if the same are traded on a Stock Exchange, which is linked to a depository. As on June 30, 2007, 99.90 % shares were held in demat form.

CORPORATE GOVERNANCE

The report of Board of Directors of the Company on Corporate Governance is given as a separate section titled 'Corporate Governance Report 2006-07', which forms part of this Annual Report.

Certificate of the Statutory Auditors of the Company regarding compliance with the Corporate Governance requirements as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges is annexed with the Corporate Governance Report.

MANAGEMENT'S DISCUSSION &ANALYSIS

The Management's Discussion and Analysis is given separately and forms part of this Annual Report.

INSIDER TRADING REGULATIONS

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations,1992, as amended from time to time, the Code of conduct for prevention of insider trading and the Code for corporate disclosures are in force.

DIRECTOR'S RESPONSIBILITY STATEMENT

A statement of responsibility of the directors relating to compliance with the financial accounting and reporting requirements in respect of the financial statements, as specified under section 217(2AA) of the Companies Act, 1956 inserted by the Companies (Amendment) Act, 2000, is annexed to this Report.

DIRECTORS

In accordance with the Articles of Association of the Company, Mr. Shiv Nadar, Ms. Robin Abrams and Mr. Subroto Bhattacharya, shall retire by rotation as Directors at the ensuing Annual General Meeting and being eligible, they have offered themselves for re-appointment.

INFRASTRUCTURE DEVELOPMENT

Your Company is gearing up for its future growth by setting up facilities in Noida, Chennai and Bangalore. These campuses would be coming up in a phased manner in the Special Economic Zones (SEZ). The SEZ policy formulated by the Government of India under the SEZ Act provides tax benefits to the Developers.

Currently, your Company has a capacity of around 39,000 seats which are proposed to be increased by 20,000 seats over the next two years.

AUDITORS

The auditors , M/s. Price Waterhouse, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and they have confirmed their eligibility and willingness to be re-appointed.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Disclosures of particulars as required by the Companies (Disclosure of Particulars in the Report of Board of Director) Rules, 1988, are set out in the annexure included in this Report.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits.

DISCLOSURES UNDER SECTION 217 OF THE COMPANIES ACT, 1956

Except, as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of the financial year and the date of this report.

As required under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this Report.

ACKNOWLEDGEMENTS

The Board wishes to place on record its appreciation to the contribution made by employees of the Company and its subsidiaries during the year under review. The Company has achieved impressive growth through the competence, hard work, solidarity, co-operation and support of employees at all levels. Your Directors thank the customers, clients, vendors and other business associates for their continued support in the Company's growth. The Directors also wish to thank the Government Authorities, Financial Institutions and Shareholders for their co-operation and assistance extended to the Company.

For and on behalf of the Board of Directors

Place: Noida (U.P.), India
Date: 13 August 2007

SHIV NADAR
Chairman and CEO

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ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988

a) **Conservation of Energy**

The nature of your Company's operation does not involve intensive energy consumption. However, your Company constantly endeavors to plan infrastructure investments of a design that results in conservation of energy. Adequate measures have been taken to reduce energy consumption, wherever possible. As energy cost forms a very small part of total cost, the impact on cost is not material.

b) **Research and Development ("R& D")**

i) **Specific areas in which R&D was carried out**

Your Company continued its R&D efforts to build competence in the emerging Internet, Telecom and Embedded Technology areas thereby ensuring a continuous movement up the value chain. Since business and technologies are changing constantly, continuous investments in research and development need to be made.

ii) **Benefits derived as a result of above R&D**

As a result of research efforts, your Company has been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

iii) **Future plan of action**

Your Company will continue to focus on R&D activities and will make investments therein from time to time.

iv) **Expenditure on R&D for the years ended June 30, 2007 and 2006 are as follows:**

(Rs. in crores)

Particulars	Year ended 2007	Year ended 2006
Revenue expenditure	12.07	4.13
Capital expenditure	-	-
Total R&D expenditure	12.07	4.13
R&D expenditure as a Percentage of revenues	0.32%	0.14%

c) **Technology Absorption, Adaptation and Innovation**

Your Company's core businesses demand absorption of emerging technologies to stay at the cutting edge of technology. New methods for absorbing, adapting and effectively deploying new technologies have been developed. Your Company has made investments in applications and other software tools required for engineering design work in all its Software Development Centers.

d) **Foreign Exchange Earnings and Outgo**

Your Company is an export-oriented unit and the majority of the Information Technology (IT) services and Business Process Outsourcing (BPO) services by the Company are for clients outside India.

The foreign exchange earned and spent by the Company during the year under review is as follows:

(Rs. in crores)

Particulars	Year ended 2007	Year ended 2006
Foreign exchange earnings	3,726.09	2,994.27
Foreign exchange outgo		
- Expenditure in foreign currency	913.58	758.00
- CIF value of imports	50.84	64.88
- Dividend remitted in foreign currency	98.40	98.39
	1,062.82	921.27

For and on behalf of the Board of Directors

Place: Noida (U.P.), India
Date: 13 August 2007

SHIV NADAR
Chairman and CEO

Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956 as inserted by the Companies (Amendment) Act, 2000

i) The financial statements have been prepared in accordance with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to the Company. There have been no material departures from prescribed accounting standards while preparing these financial statements;

ii) The Board of Directors has selected the accounting policies described in the notes to the accounts, which have been consistently applied, except where otherwise stated. The estimates and judgments relating to the financial statements have been made on a prudent basis, in order that the financial statements reflect in a true and fair manner, the state of affairs of the Company as at June 30, 2007 and the profit of the Company for the year ended on that date;

iii) The Board of Directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) The annual accounts have been prepared on the historical cost convention, as a going concern and on the accrual basis.

For and on behalf of the Board of Directors

Place: Noida (U.P.), India
Date: 13 August 2007

SHIV NADAR
Chairman and CEO

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ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

DETAILS ON STOCK OPTION PLANS

1999 Stock Option Plan / 2000 Stock Option Plan / 2004 Stock Option Plan

Pursuant to the approval of the shareholders, your Company had instituted the 1999 Stock Option Plan ("1999 Plan"), 2000 Stock Options Plan ("2000 Plan") and 2004 Stock Option Plan ("2004 Plan") for all eligible employees of the Company and its subsidiaries. The 1999 Plan, 2000 Plan and 2004 Plan are administered by the Compensation Committee of the Board and provide for the issuance of 20,000,000, 15,000,000 and 20,000,000 options, respectively.

Each option granted under the 1999 Plan, 2000 Plan and 2004 Plan, entitles the holder to four equity shares (two equity shares prior to 1 : 1 bonus issue during current fiscal year) of the Company at an exercise price, which is approved by the Compensation Committee.

The details of the options granted under the 1999 , 2000 and 2004 Plans are given below:

S. No.	Description	1999 Plan	2000 Plan	2004 Plan
1.	Total number of options granted (gross)	26,600,874	17,747,401	4,476,172
2.	The pricing formula	Market price / internal valuation	Market price	Market price / price determined by Compensation Committee
3.	Number of options vested	15,322,064	6,891,786	423,194
4.	Number of options exercised	11,905,186	4,157,800	421,994
5.	Total number of shares arising as a result of exercise of options	47,620,744	16,631,200	1,687,976
6.	Number of options lapsed	11,253,399	8,548,469	301,292
7.	Variation in terms of options	None	None	None
8.	Money realized by exercise of options (Rs. crores)	372.18	226.23	2.60
9.	**Total number of options in force as on June 30, 2007**	**3,442,289**	**5,041,132**	**3,752,886**
10.	Grant to Senior Management			
	Number of Options	1,967,175	254,904	1,110,000
	Vesting Period	3-7 years	2-7 years	1.5-5 years

The diluted earnings per share were Rs. 16.27 and Rs. 9.33 for the fiscal years ended June 30, 2007 and 2006 respectively.

HCL TECHNOLOGIES LIMITED EMPLOYEES TRUST

In April 2001, HCL Technologies Limited Employees Trust ("Trust") was formed for the purpose of acquiring the shares of the Company and thereby providing such shares to the eligible employees and directors of the Company and/or its subsidiaries at any time pursuant to the Stock Option Plans of the Company. The Company would provide this Trust interest free loan(s) from time to time up to a limit of Rs.150 crores for this purpose.

As on June 30, 2007, an amount of Rs. 6.52 crores is outstanding as loan from the Company and Nil shares of the Company are held by the trust. The Company has made provision of Rs. 6.50 crores against the same.

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ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Details of Stock Option Plans for the year ended June 30, 2007

Particulars	1999 Plan	2000 Plan	2004 Plan
Total number of options outstanding as on July 1, 2006	5,914,361	8,453,526	2,669,400
Number of options granted during the year	-	-	1,720,200
Pricing formula	Market price/ internal valuation	Market price	Market price / price determined by Compensation Committee
Number of options vested during the year	835,236	1,311,334	423,194
Number of options exercised during the year	1,564,580	2,185,299	421,994
Total number of shares arising as a result of exercise of options during the year	6,258,320	8,741,196	1,687,976
Number of options lapsed during the year	907,492	1,227,095	214,720
Variation in terms of options	None	None	None
Money realised by exercise of options during the year (Rs. crores) (includes issued through Trust)	93.25	131.63	2.60
Total number of options in force as on June 30, 2007	**3,442,289**	**5,041,132**	**3,752,886**
Employees granted options equal to 5% or more of the total number of options granted during the year	None	None	None
Employees granted options equal to or exceeding 1% of the issued capital during the year	None	None	None
Fair value compensation cost for options granted (Rs. crores)	-	-	188.53
Weighted average exercise price of options granted above market price	N.A.	N.A.	N.A.
Weighted average fair value of options granted above market price	N.A.	N.A.	N.A.
Weighted average exercise price of options granted at market price	-	-	-
Weighted average fair value of options granted at market price	-	-	-
Weighted average exercise price of options granted below market price (Rs.)	-	-	8.00
Weighted average fair value of options granted below market price (Rs.)	-	-	774.56
Method and significant assumptions used during the year to estimate the fair values of options			
Method	N.A.	N.A.	Black-Scholes Method
Significant assumptions			
Risk free interest rate	N.A.	N.A.	8.10%
Expected life	N.A.	N.A.	upto 35 Months
Expected Volatility	N.A.	N.A.	26.67%
Expected Dividend	N.A.	N.A.	3.65%
The price of the underlying options in market at the time of grant (Rs.)	N.A.	N.A.	1,184.66

Pre IPO Details of Stock Option Plan

Particulars	As on June 30, 2007 ESOP 1999 Plan
Number of options granted pre IPO	14,223,832
Pricing formula	Internal valuation
Number of options vested	11,648,957
Number of options exercised	10,229,090
Total number of shares arising as a result of exercise of options	40,916,360
Number of options lapsed	3,979,136
Variation in terms of options	None
Money realised by exercise of options (Rs. crores)	258.73
Total number of options in force as on June 30, 2007	**15,606**
Fair value compensation cost for options granted (Rs. crores)	43.96
Weighted average exercise price of options granted (Rs.)	255.00
Weighted average fair value of options granted (Rs.)	36.65
Method used to estimate the fair values of options	Black-Scholes Method
Significant assumptions	
Risk free interest rate	10.00%
Expected life	12 to 110 months
Expected volatility	-
Expected dividend	0.10%

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ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Employee Compensation Cost based on Fair Value of the Options

Particulars		Year ended June 30, 2007
		(Rs. Crores)
Net income, as reported		1,101.82
Add: Stock-based employee compensation expense included in reported net income		125.99
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards		147.64
Pro-forma net income		1,080.17
Earnings per share		Rs.
As reported	- Basic	16.88
	- Diluted	16.27
Adjusted pro-forma	- Basic	16.55
	- Diluted	15.95
Method used to estimate the fair values of options		Black-Scholes Method
Significant assumptions		
Dividend yield %		3.65%
Expected life		upto 35 months
Risk free interest rates		8.10%
Volatility		26.67%

Details of options granted to Senior Managerial Personnel of the Company-Pre IPO

Name of the senior managerial personnel	Grant date	Options granted
Raman Subrahmanyan	13-Sep-99	366,000
Dennis Roy Ing	13-Sep-99	219,600
Sanjay Kalra	13-Sep-99	109,800
Raj K Sirohi	13-Sep-99	219,600
Ashok Jain	13-Sep-99	109,800
Sujit Baksi	13-Sep-99	109,800
Anil Kumar Chanana	13-Sep-99	81,984
Prem Kumar Asija	13-Sep-99	81,984
Ramamurthy Vaidyanathan	13-Sep-99	81,984
Raj Kumar Mahajan	13-Sep-99	109,800
Ashok Syal	13-Sep-99	61,488
Amitava Roy	13-Sep-99	24,156
Ranjit Narasimhan	13-Sep-99	61,000
Robin Abrams	13-Sep-99	48,800
Richard Burt	13-Sep-99	48,800
TSR Subramanian	13-Sep-99	48,800
Divakar Naga Maddipatla	13-Sep-99	24,400
Shamsher Khorana	13-Sep-99	10,029
Ramamurthy Vaidyanathan	19-Oct-99	16,016
Amitava Roy	19-Oct-99	52,844
Total		1,886,685

Details of options granted to Senior Managerial Personnel of the Company during the year ended June 30, 2007

Name of the senior managerial personnel	Grant date	Options granted
Saurav Adhikari	16-Oct-06	10,000
Total		10,000

Details of options granted to employees amounting to 5% or more of the options granted during the year ended June 30, 2007.

NIL

Details of options granted to employees during the year ended June 30, 2007, amounting to 1% or more of the issued capital of the Company at the time of the grant.

NIL

For and on behalf of the Board of Directors

Place: Noida (UP), India
Date: 13 August 2007

SHIV NADAR
Chairman and CEO

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ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Information for Directors' Report Under Section 217(2A) of the Companies Act, 1956

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2006-07

Sl. No.	Name	Age (Years)	Designation/ Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previous employment	Previous employment held since
1.	Anand Pillai	48	Vice President-Talent Transformation	PGD, FMS/CSMS	5,093,178	1-Jun-05	24	Clime	President & Chief Mentor	Sept.03
2.	Anil Gupta	52	Vice President	B.Tech, M.Tech	4,453,448	1-Jan-06	30	HCL Japan Ltd.	Vice President	Jan.03
3.	Anil Gupta	48	Vice President	BE (Electrical), M.Tech (Electrical)	3,964,973	1-Jul-96	26	HCL Hewlett Packard Ltd.	Sr. Manager	Jul.81
4.	Arjun Raghunathan	50	Technology Director	BE (Electronics & Commn. Engg.), ME (Computer Science)	2,870,529	1-Jul-96	26	HCL Hewlett Packard Ltd.	Sr. Manager	Aug .81
5.	Atish Dasgupta	58	General Manager	B.Tech, MBA	2,436,547	2-Jan-04	27	Synapz Mgmt. Services	Principal Management Consultant	Jan.03
6.	B Sri Venkateswarlu	41	Associate Vice President - SAP Practice	B.Tech (Mech.), MBA (Mktg.)	3,028,684	13-Dec-05	19	Hewlett Packard	Project Manager	Sep.03
7.	Dakshina Murthy Chaganthi	53	Associate Vice President	M.A., PGDM	2,754,940	1-May-03	29	HCL Infosystems Ltd.	Associate Vice President	Dec.78
8.	Dharmander Kapoor	41	General Manager	MCA	2,812,324	21-Apr-03	16	Xavient Technologies	Program Manager	Mar.02
9.	Devasis Ghosh	45	Associate Vice President	MBA	2,632,912	1-Jul-2000	19	HCL Infosystems Ltd.	Project Manager	Sep.94
10.	Devavaram Davidson	48	Senior Vice President	M.Sc, MS	3,381,046	2-Apr-03	23	DSQ Software Ltd.	Chief Operating Officer	Aug .95
11.	Dilip Srivastava	48	Senior Vice President - Corp HR	MSW (HR & IR)	5,454,834	7-Jun-05	24	Vanguard Solutions	VP - HR	Apr.05
12.	Gade Hanumantha Rao	49	Corporate Vice President	BE (Electronics)	4,115,150	1-Jul-96	26	HCL Hewlett Packard Ltd.	Sr. Manager - R & D	Nov.80
13.	Ganesh Nerur	53	Associate Vice President	B.Sc.	2,425,107	7-Feb-97	31	HCL Infosystems Ltd.	General Manager	Feb.97
14.	Gunaseelan Narayanan	52	Senior Corporate Vice President	M.Tech (Computer Science)	5,004,020	1-Jul-96	27	HCL Hewlett Packard Ltd.	General Manager	Aug.79
15.	Hemant Kumar	53	Associate Vice President	B.Tech (Electrical)	3,613,848	1-Aug-05	30	Canon India Pvt. Ltd	Director & GM	Apr.99
16.	Jagathesan Arumugam	56	Associate Vice President	BE (Electronics), MBA (Finance)	2,877,098	24-Jan-2000	33	Crompton Greaves Ltd.	Deputy General Manager	Sep.96
17.	Kannan Veeraraghavan	49	Vice President	B.Com & Certificate Courses	5,469,563	1-Aug-05	25	KPMG Peat Marwick	Executive Director - Software Process	Jun.95
18.	Krishnamuti Rao	50	Associate Vice President	MBA	2,815,792	8-Dec-97	26	Tata Consultancy Services Ltd.	Senior Consultant	May.81
19.	Mahalingam Sundararajan	38	Associate Vice President - Marketing	B.Tech (Chemical Engg.), PGDM	2,434,369	14-Nov-05	15	J. Walter Thompson	Associate Vice President - Strategic Planning	Feb.04
20.	Murali Jayaraman Srinivasa	48	Vice President - Operations	B.Tech (Chemical Engg.)	2,517,939	1-Apr-05	25	TATA Consultancy Services Ltd.	Principal Consultant	Sep.90
21.	Murali Raghavan	42	Senior Vice President	CA, MBA (Mktg.)	5,035,470	27-Sep-05	19	Hewlett-Packard Globalsoft Ltd.	Practice Head - ERP	Jun.04
22.	Pawan Danwar	41	Associate Vice President	CA, CSA	2,495,201	1-May-96	17	Cellular Projects	Manager	Nov.95
23.	Prabhat Goenka	40	Associate Vice President	CA, CS, CWA	2,446,999	1-Mar-95	16	Tinplate	Senior Accounts Officer	Jan.92
24.	Prabhuraman Sayanam	37	Director - Engineering	B.Tech (Computer Science)	2,610,941	1-Jul-96	19	HCL Hewlett Packard Ltd.	Asstt. Manager - R&D	Aug.88
25.	Prahlad Bansal	50	Corporate Vice President	CA	3,630,749	1-Dec-94	27	HCL Ltd.	DGM- Finance	Sep.89
26.	Prateek Aggarwal	40	Senior Vice President	MBA (Finance)	4,705,234	17-Aug-05	16	Ge Capital International Services	Vice President	Feb.03
27.	Pramod Gupta	46	Head - Penstock	MBA	3,951,889	8-Jun-01	23	Ariba Technologies India	Technical Director	Jul.2000
28.	Prem Asija	57	Senior Corporate Vice President	BE	5,337,688	1-Sep-97	38	Apt Automation	Director	Jan.93
29.	Premkumar Seshadri	48	Corporate Vice President	MBA	4,370,283	29-Aug-03	24	Fugen IT Ltd.	Founder & CEO	May.98
30.	P K Viswanath Sastry	38	General Manager	B.Com. Diploma-Technical	2,576,645	7-Apr-03	16	Tube Investments	Sr. Manager - Systems	Jul.92
31.	Raj Walia	41	Associate Vice President	B. Com, CWA	2,681,147	5-Jun-95	20	Pfizer	Deputy General Manager	Jun.95
32.	Raj Malik	47	Vice President	B.Tech	2,677,472	28-Jul-97	25	Commonwealth Bank	Project Mgr.	May.96
33.	Rajiv Sodhi	48	Corporate Vice President - Operations	B.Tech, MBA	4,015,467	24-Jul-97	26	Tata Consultancy Services Ltd.	Manager Systems	Jul.81
34.	Rajiv Swarup	55	Corporate Vice President	MBA	4,814,291	8-Mar-2000	33	Modi Corp Ltd.	Director Business Development	Sep.99
35.	Rajbir Singh	42	General Manager	B.Tech, MBA (Mktg.)	2,717,989	14-Apr-04	19	Oracle India Pvt Ltd	Consulting Industry Manager	Oct.02
36.	Ramachandra Kerur	55	Program Director	BE (Electrical), M.Tech (Electronics)	3,411,026	17-Jun-02	30	Nuntius Systems Ltd.	Chief Executive Officer	Feb.02
37.	Ramachandran Kalpathy	50	Practice Director-Servers And Storage	B.Tech (Electrical)	2,539,946	9-Apr-01	29	Dusk Valley Tech.	CIO	Oct.2000

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ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Information for Directors' Report U/S 217(2A) of the Companies Act, 1956

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2006-07

Sl. No.	Name	Age (Years)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previous employment	Previous employment held since
38.	Ramakrishna Venkatraman	55	Corporate Vice President - Banking Practice	M.Tech (Elec.Engg.)	4,221,252	23-Jul-03	32	Eximsoft Technolgies Pvt. Ltd.	Managing Director	Apr.97
39.	Ramamurthy Vaidyanathan	52	Executive Vice President	BE (Metallurgy)	6,379,748	1-Jul-96	26	HCL Hewlett Packard Ltd.	DGM - R & D	Jul.81
40.	Ramesh Ganesh	41	Associate Vice President	ME (Elec.Engg.)	2,884,228	7-Apr-97	17	Tata Electric	Deputy Exe Engineer	Sep.90
41.	Ramesh Nathawani	44	Associate Vice President	BE (Comp.Science)	2,879,578	1-Mar-02	21	Planetasia Ltd.	Head - ADG	Oct.2000
42.	Ranjit Narasimhan	53	Executive Vice President	MBA	7,312,977	15-Apr-99	29	Riviera Confectionery Pvt. Ltd.	Managing Director	Jul.87
43.	Ravindra Nuguri	42	Global Program Director	BE (Electronics & Commn.), PGD in S/W Tech.	2,551,456	4-Feb-04	20	Tektronix Engg Ltd.	Program Manager	Jun.2000
44.	Ravi Menon	54	Sales Director -India Enterprise Vetrica	BA	2,604,631	1-Feb-05	31	HCL Infosystems Ltd.	Associate Vice President	Aug.95
45.	Ravi Shankar B	47	Vice President - Resourcing	MBA	4,813,213	5-Jul-04	25	Lister Tech	President	Jul.2000
46.	Ravishankar Sethuraman	40	Associate Vice President	BE (Electronics & Commn.)	2,495,934	8-Jul-99	18	DSQ	Project Manager	Apr.97
47.	Rita Gupta	45	Vice President	CA	2,527,894	1-Jul-96	20	HCL Hewlett Packard Ltd.	Manager - Finance	Nov.88
48.	S Sivaguru	50	Associate Vice President	BE (Electronics)	2,927,106	8-Sep-04	27	Global Automation India Pvt. Ltd.	Vice President	Jun.95
49.	Sateesh Tiptur	48	Associate Vice President - Operations	PHD.	3,667,317	22-Jan-01	25	Mphasis BFL Ltd.	AGM - Technical	Oct.99
50.	Sankar Venkatraman	37	Vice President	BE (Electrical & Elec.), MBA	2,965,266	14-Jul-06	11	Xansa	Vice President	Jan.05
51.	Sanjeev Nikore	47	Corporate Vice President-Sales & Marketing	MBA	4,021,683	1-Oct-05	23	HCL Comnet Systems & Services Ltd.	COO	Jul.92
52.	Saurav Adhikari	49	Corporate Vice President	MBA	5,337,194	1-Nov-02	27	HCL Infinet Ltd.	President	Jan.2000
53.	Sandip Gupta	48	Corporate Vice President FA&P	CA	3,072,679	1-Oct-05	25	HCL Coment Systems & Services Ltd.	Vice President	Oct.98
54.	Sandeep Raizada	41	Associate Vice President - SAP Practice	BE (Electrical Engg.	3,339,344	19-Dec-05	19	Hewlett Packard Globalsoft Ltd.	Program Manager	Feb.03
55.	Shashi Verma	45	Operations Director	B. Tech (Mechanical)	2,196,890	18-Jan-95	20	Self Employed	Consultant	Aug.92
56.	Sheela Mohan	43	Associate Vice President	B.Tech, M.Tech (Computer Science)	2,691,868	6-Dec-99	20	Cadence Design System	Program Manager	May.98
57.	Shivakumar Krishnamurthy	50	General Manager	BE (Mechanical)	2,448,148	25-May-04	26	HCL Infosystems (America) Inc.	General Manager	May.84
58.	Shyamal Bhattacharya	54	Vice President - Strategic IT Initiative	B.Tech (Instrumentation & Elec. Engg.)	4,867,280	2-Jan-01	30	Tata Technologies	Deputy General Manager	Apr.97
59.	Soami Narang	46	Vice President	MBA	2,953,195	24-Apr-06	22	Satyam Computers Ltd.	Vice President	May.2000
60.	Srinath Sriram	47	Global Practice Director-Perf.Eng.Mgmt.	B.Sc.	2,422,669	17-Nov-03	26	Bahwan Cybertek Tech	CEO	Apr.2000
61.	Sriram Valtheeswaran Kovil	50	Corporate Vice President	MBA	5,513,067	1-Oct-01	29	Citi Corp Overseas Software Ltd.	Centre Head Chennai	Nov.88
62.	Sridhara Rajan	44	Global Delivery Head - SAP Practice	M.Sc (Computer Science)	3,389,955	12-Dec-05	22	Tata Consultancy Services Ltd.	Sr. Consultant	Jun.92
63.	Sunil Kumar	48	Associate Vice President	M.Tech (Management & Systems)	2,446,502	1-Aug-96	27	Tata Unisys	Grp. Mgr.	Jan.94
64.	Sunita Dharwarkar	45	Vice President	M.Com	2,968,291	1-Oct-05	24	HCL Comnet Systems & Services Ltd.	AVP	Aug.97
65.	Suresh Sundaram	40	Vice President	B.Tech (Mechanical)	2,809,012	2-Jan-01	19	HCL Technologies America Inc.	Account Manager	Jul.88
66.	Tom Thomas	43	Associate Vice President	MBA	3,876,739	1-Aug-05	16	Self Employed	Consultant	Apr.02
67.	Uday Kumar Nalinasekaren	47	Senior Vice President	BE, ME (Computer Science)	3,665,401	1-Jul-97	23	HCL Hewlett Packard Ltd.	Group Project Manager	Jul.84
68.	Unni Krishnan	54	Associate Vice President	BE (Mech.), M.Tech (Indl. Engg.& Mgmt.)	2,723,965	14-Jul-04	30	Rave Technologies	Delivery Head	Apr.03
69.	Vaidyanathan Viswanathan	46	Vice President	B.Tech, MBA	2,628,502	5-Jul-06	21	I-Gate Global Solutions	Vice President	Mar.2000
70.	Vinit Bahri	42	General Manager	CA	2,524,610	25-May-98	18	Apollo Tyres Ltd.	Manager	May.91
71.	Vineet Nayar	45	President	MBA	10,355,575	1-Sep-05	22	HCL Comnet Systems & Services Ltd.	CEO	Jan.95

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ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

Information for Directors' Report U/S 217(2A) of the Companies Act, 1956

A. EMPLOYED FOR FULL FINANCIAL YEAR - 2006-07

Sl. No.	Name	Age (Years)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previous employment	Previous employment held since
72.	Vijay Guntur	38	Vice President	M.Sc (Computer Science), MBA	3,212,221	1-Jul-96	18	HCL Hewlett Packard Ltd.	Dy. Manager	Jun-89
73.	Vijay Mallya U	42	Associate Vice President	MBA	2,734,239	21-Sep-98	22	State Bank Of India	Associate Manager	May-85
74.	Vasudevan Aravamudhan	48	Vice President	BE (Electronics)	4,004,360	1-Jul-96	24	HCL Hewlett Packard Ltd.	Manager - R & D	Dec-82
75.	Venkatesan Varadachari	46	Global Operations Director	BE, MBA	3,271,728	9-Feb-04	21	SSI Technologies	Vice President	Apr-98
76.	Venkatesan Muthukumaraswami	49	Associate Vice President	BE, ME (Electronics)	2,557,673	30-Sep-98	24	Alstom	Area Manager	Jul-87
77.	Vijay Ahooja	50	Associate Vice President	MBA	4,249,348	17-Jul-01	28	Price Waterhouse Associates	Principal Consultant	May-98
78.	Kabilan Adiypatham	52	Vice President Operations	M.Tech	2,507,411	4-Mar-97	27	New Concept	Consultant	Dec-89
79.	Sumit Bhattacharya	58	Executive Vice President-Marketing (BPO Division)	BA, MBA	3,814,604	21-Jan-02	35	Insync-Technology	CEO	Jun-98
80.	Vijay Reddy	52	Sr. Vice President - Technology	BSc, MSc	2,878,609	17-Feb-03	25	SCB	Manager-IT services	Dec-98
81.	Viswanathan Balakrishnan	53	Senior VP-Strategy	B.Tech, PGDM	3,278,622	3-Mar-03	28	Meru Consultants (P) Ltd.	Director	May-2000
82.	Rajiv Gupta	45	Sr. Vice President-Operations (Telecommunications vertical)	BSc.	3,153,797	17-Mar-03	23	DAKSH E Services	Head Operation Support	Mar-01
83.	Rangarajan Raghavan	48	Sr. Vice President-Operations (Retail vertical)	Diploma in Electrical Engineering	3,148,205	1-Apr-03	29	HCL InfiNet Ltd	Business Head	Apr-02
84.	Prabhakara Rao Arrabolu	50	Sr. Vice President (Human Resources)	BCom, MBA	3,107,106	1-Sep-04	26	Birlasoft	Global Head - Human Capital Management	Jun-02

B. EMPLOYED FOR PART OF THE FINANCIAL YEAR - 2006-07

Sl. No.	Name	Age (Years)	Designation / Nature of duties	Educational Qualifications	Remuneration (Rs.)	Date of Joining	Experience in Years	Previous Employment	Designation held in previous employment	Previous employment held since
1.	Anil Chanana	49	Executive Vice President-Finance	CA	2,922,152	1-Jan-07	26	HCL America Inc.	Executive Vice President	Dec-85
2.	Anil Dhankher	38	Associate Vice President	MBA	1,433,940	16-Aug-06	16	ICICI Onesource Ltd	GM-HR	Sep-03
3.	Harsha Mutt	43	Vice President - Operations (CMS)	B.Tech (Mech.Engg.) CA	3,226,384	7-Aug-06	21	Infosys Technologies Ltd	VP & Head of Delivery, Banking & Capital Markets	Aug-86
4.	Karan Puri	44	Senior VP & Head - MPE & Retail	MBA	1,816,839	15-Jun-06	22	I-Gate Global	E.V.P.	May-03
5.	Madan Srinivasan	38	General Manager - Human Resources	B.Tech, MBA (PM & IR)	720,216	2-May-07	14	Pepsico India Holding Pvt. Ltd.	Vice President	Aug-03
6.	Srinivasa Krishnakumar Thakkolam	46	Vice President	BE/BTech, ME/MTech	1,372,592	1-Jul-96	22	HCL Hewlett Packard Ltd.	Group Project Manager	Jan-88
7.	Solomon Suresh	46	General Manager - Human Resources	PHD.	1,277,500	5-Jan-07	14	Genpact Ltd.	Vice President	Mar-06
8.	Subramanian Lakshmi Narayanan	45	Corporate Vice President-Finance	CA, CWA	2,466,985	15-May-01	21	BPL Cellular Ltd.	Chief Finance Officer	Nov-89
9.	Sushanta Roy	37	AVP- Customer Relationship	PGD	1,213,510	16-Jan-06	16	IBM Global Services	Regional Manager - Asia/ SA	Mar-2000
10.	Uttama Mukherjee	39	General Manager & Head-Solution Services	BE (Electrical)	1,170,461	18-Jan-07	18	Patni Computers Ltd.	Senior Manager	Mar-05
11.	Vinodh Chelambathodi	41	Associate Vice President - HR	MBA	655,081	2-May-07	17	Aricent	AVP - HR	Feb-07

Notes:

1. None of the employees listed above is a relative of any director of the Company.
2. The nature of employment is contractual in all the above cases.
3. None of the employee listed above owns 2% or more of the paid-up equity share capital of the Company.

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CORPORATE GOVERNANCE REPORT 2006-07

Philosophy on Code of Governance

The Company continues to focus on good Corporate Governance, in line with local and global standards. Its primary objective is to create and adhere to a corporate culture of conscience and consciousness, integrity, transparency and accountability for efficient and ethical conduct of business for meeting its obligations towards shareholders and other stakeholders.

Corporate Governance is an integral part of the philosophy of the Company in its pursuit of excellence, growth and value creation. The Company recognises that strong Corporate Governance is indispensable for safeguarding the interest of shareholders and other stakeholders.

Board of Directors

The Board of Directors ("Board") of the Company has an optimum combination of executive, non-executive and independent directors, who have indepth knowledge of business, in addition to the expertise in their areas of specialisation. The Board provides leadership, strategic guidance and an independent view to the Company's management. During the year, a majority of the Board comprised of independent directors. As on June 30, 2007, the Board consisted of seven members, of whom, one is the promoter director who is designated as Chairman and CEO of the Company, and six are independent non-executive directors. The non-executive directors bring an external and wider perspective in Board deliberations and decisions. The size and composition of the Board conform to the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. Other details relating to the directors as on June 30, 2007 are given below:

Name of Director	Position in the Company	Directorships in other companies	*Committee memberships in other companies	#Chairmanships in committees of other companies in which they are members
Mr. Shiv Nadar	Chairman & CEO Promoter Director	3	2	-
Mr. T.S.R. Subramanian	Independent Non- Executive Director	2	-	-
Mr. S. Bhattacharya	Independent Non- Executive Director	6	6	4
Mr. Ajai Chowdhry	Independent Non- Executive Director	4	3	-
Ms. Robin Abrams	Independent Non- Executive Director	4	-	-
Mr. Amal Ganguli	Independent Non- Executive Director	11	8	5
Mr. P. C. Sen	Independent Non- Executive Director	2	1	-

* Represents membership of Audit Committee and Shareholders' Grievance Committee of Indian public limited companies.
Represents chairmanship of Audit Committee and Shareholders' Grievance Committee of Indian public limited companies.

None of the Directors of the Company has any relationship with other Directors of the Company. The names of the other companies/ entities in which the current directors are interested being a director, partner and/ or shareholder as on June 30, 2007 are as under:

1. Mr. Shiv Nadar

S. No.	Name of the Company/ Entity in which interested	Nature of Interest
1.	HCL Corporation Limited	• Director Member of Audit Committee Member of Selection Committee
2.	HCL Comnet Systems & Services Limited	• Chairman Member of Audit Committee
3.	Indian School of Business	• Director
4.	HCL America Inc., USA	• Director

2. Mr. T.S.R. Subramanian

S. No.	Name of the Company/ Entity in which interested	Nature of Interest
1.	ABN AMRO Bank	• Chairman, Local Board in India
2.	Vita Pumps Limited	• Shareholder
3.	Micronutrient Initiative India	• Chairman, Board of Trustees
4.	SABMiller India Limited	• Director

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3. Mr. Subroto Bhattacharya

S. No.	Name of the Company/ Entity in which interested	Nature of Interest
1.	HCL Corporation Limited	• Director • Chairman of Audit Committee
2.	HCL Infosystems Limited	• Director • Member of Accounts & Audit Committee • Member of Shareholders' & Investor Grievances Committee • Member of Employees Compensation and Employees Satisfaction Committee
3.	NIIT Limited	• Director • Chairman of Audit Committee
4.	NIIT Technologies Limited	• Director • Chairman of Audit Committee • Member of Compensation/ Remuneration Committee
5.	HCL Infinet Limited (Formerly known as Microcomp Ltd.)	• Director • Chairman of Accounts & Audit Committee
6.	HCL Peripherals Limited	• Director

4. Mr. Ajai Chowdhry

S. No.	Name of the Company/ Entity in which interested	Nature of Interest
1.	Apollo Trading and Finance Private Limited	• Director
2.	HCL Infosystems Limited	• Director • Member of Employees Compensation and Employees Satisfaction Committee • Member of Accounts & Audit Committee • Chairman of Customer Satisfaction Committee • Member of Shareholders' & Investor Grievance Committee
3.	HCL Peripherals Limited	• Director
4.	HCL Infinet Limited (Formerly known as Microcomp Ltd.)	• Director • Member of Accounts & Audit Committee

5. Ms. Robin Abrams

S. No.	Name of the Company/ Entity in which interested	Nature of Interest
1.	HCL Bermuda Limited	• Director
2.	Zilog Inc., USA	• Director • Chairman/ Member of Compensation Committee
3.	BEA Systems	• Director • Member of Compensation Committee
4.	Emotiv Systems	• Director

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6. Mr. Amal Ganguli

S. No.	Name of the Company/ Entity in which interested	Nature of Interest
1.	Hughes Communications India Limited	• Director • Chairman of Audit Committee
2.	Flextronics Software Systems Limited	• Director • Chairman of Audit Committee
3.	ML Infomap Private Limited	• Director / Shareholder
4.	Tube Investments of India Limited	• Director / Shareholder • Member Audit Committee • Member of Remuneration Committee
5.	New Delhi Television Limited	• Director • Chairman of Audit Committee • Member of Remuneration Committee
6.	Videsh Sanchar Nigam Limited	• Director • Chairman of Audit Committee
7.	Century Textiles and Industries Limited	• Director • Member of Audit Committee
8.	AVTEC Limited	• Director
9.	ICRA Limited	• Director • Member of Audit Committee
10.	Maruti Udyog Limited	• Director • Chairman of Audit Committee
11.	AIG Trustee Company (India) Pvt. Ltd.	• Director • Member of Audit Committee

7. Mr. P.C.Sen

S. No.	Name of the Company/ Entity in which interested	Nature of Interest
1.	Bharat Petroleum Corporation Limited	• Director • Member of Audit Committee
2.	Gwalior Sugar Co. Limited	• Director

Board functioning and procedure

At HCL Technologies Limited, the Board plays a pivotal role in ensuring good governance. The probable dates of the Board meetings for the forthcoming year are decided in advance and published as a part of the Annual Report. The Board meets at least once a quarter to review the quarterly results and other items of the agenda. When necessary, additional meetings are held. The Board meetings are generally held at the corporate office of the Company at Noida. The agenda for each Board meeting is drafted in consultation with the Chairman and circulated in advance to the Board members. Audit and compensation committees of the Board usually meet on the day of the Board meeting.

There were five Board meetings held during the year ended June 30, 2007. These were held on August 18-19, 2006, October 16, 2006, December 14, 2006, January 15, 2007 and April 16-17, 2007. The following table gives the attendance record of the directors in the Board meetings and in the last Annual General Meeting.

Name of Director	No. of Board meetings held	No. of Board meetings attended	Whether attended last AGM
Mr. Shiv Nadar	5	4	Yes
Mr. T.S.R Subramanian	5	5	Yes
Ms. Robin Abrams	5	4	No
Mr. Ajai Chowdhry	5	4	Yes
Mr. S. Bhattacharya	5	5	Yes
Mr. Amal Ganguli	5	5	Yes
Mr. P. C. Sen	5	3	No

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Availability of information to the members of the Board

The Board has complete access to any information within the Company, and to any employee of the Company. The Board welcomes the presence of managers in the Board meetings, who can provide additional insights into the items being discussed in the meeting.

The information regularly provided to the Board includes:

- Annual operating plans and budgets including capital budgets and any updates.
- Quarterly results of the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and Compensation Committee of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold/ services provided by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Any significant development in Human Resources/ Industrial Relations front.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Statutory compliance report of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances, if any.
- Minutes of the Board meetings of the subsidiaries along with their financial statements and the investments made by these companies.
- Details of the transactions with the related parties.

Statutory Compliance of Laws

The Board periodically reviews the compliance report of the laws applicable to the Company as well as steps taken by the Company to rectify the instances of non-compliances, if any.

Appointment / Re-appointment of Directors

The information or details pertaining to the Directors seeking appointment/ re-appointment in the Annual General Meeting, to be provided in terms of clause 49 of the Listing Agreement with the Stock Exchanges, are furnished below:

Mr. Shiv Nadar has been a director of your Company since January 1993. Mr. Nadar shall retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Mr. Nadar, aged 62 years, is an Electrical Engineer from Coimbatore in South India. He has been a Director of the Company since January 1993 and was appointed as Managing Director of the Company effective September 13, 1999, for a period of 5 years and re-appointed as Managing Director effective September 13, 2004 for a further period of five years. He is designated as Chairman & CEO. Mr. Nadar established HCL as a startup in 1976 and today the HCL group is a leader in the Infotech industry in India and rapidly growing overseas.

In January 2005, Mr. Shiv Nadar received the CNBC Business Excellence award from the Prime Minister of India. In February 2005, he was listed by "India Today" in the Power List of India's leaders from all walks of life, for building a global IT Enterprise from scratch in 3 decades, creating valuable JVs with marquee partners such as Deutsche Bank, and creating jobs in Belfast. In September 2005, during the visit of Mr. Tony Blair, the Prime Minister of United Kingdom (U.K.), Mr. Nadar was recognized for his contribution for creating 2300 jobs in UK. Recently, he was conferred the ICICI Venture - CII CONNECT 2006 Entrepreneur Award for making a lasting impact in the ICT space in India and globally.

In June 2007, Forbes acknowledged Mr. Nadar's entrepreneurship and did a cover story on him and his vision for HCL Technologies Limited.

Mr. Shiv Nadar is member of Shareholders' Committee and Employees Stock Option Allotment Committee of the Company. He is also Chairman of the Compensation Committee of the Company. As on June 30, 2007, he is holding 184 equity shares of Rs. 2/- each fully paid-up in his own name. Details of his directorships and committee memberships held in other companies are given elsewhere in this Report.

Nature of expertise in specific functional area- Mr. Nadar has an extensive experience and expertise in the Information Technology Sector coupled with strategic planning and management experience.

Ms. Robin Abrams has been a director of your Company since September 1999. Ms. Abrams shall retire by rotation at the ensuing Annual General Meeting and being eligible offers herself for re-appointment.

Ms. Robin Abrams, aged 56 years holds both a Bachelor of Arts and a Juris Doctor degree from the University of Nebraska. She is a member of the Compensation Committee and Audit Committee of the Board of Directors of the Company. As on June 30, 2007, her shareholding in the Company was 1,71,200 equity shares of Rs. 2/- each fully paid-up. Details of her directorships and committee memberships held in other companies are given elsewhere in this Report.

Nature of expertise in specific functional area – Ms. Abrams has nearly 33 years of experience in computing and computing services, strategic planning and management.

Mr. Subroto Bhattacharya has been a director of your Company since May, 2003. Mr. Bhattacharya shall retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

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Mr. Subroto Bhattacharya, aged 67 years, is a Chartered Accountant. He spent his early career with DCM Limited where he rose to the position of a Director on its Board. In the late eighties, he joined the HCL Group and subsequently joined the Board of the flagship Company HCL Limited.

Mr. Subroto Bhattacharya is a member of the Audit Committee, Shareholders' Committee and Employee Stock Options Allotment Committee of the Company. As on June 30, 2007, he did not hold any shares in the Company. The details of directorships and committee memberships held by him in other companies are given elsewhere in this Report.

Nature of expertise in specific functional area - Mr. Bhattacharya has an experience of around 33 years with specialization in Finance and Management.

Code of Conduct

The Board has prescribed a Code of Conduct ("Code") for all Board members and senior management of the Company. The Code is also posted on the website of the Company.

All Board members and senior management personnel have confirmed compliance with the Code for the year 2006-07. A declaration to this effect signed by the Chairman & CEO of the Company, is provided elsewhere in the Annual Report.

Board Committees

Currently, the Board has four committees viz. Audit Committee, Compensation Committee, Shareholders' Committee and Employees Stock Option Allotment Committee.

Keeping in view the requirements of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement, the Board decides the terms of reference of various committees and the assignment of members to various committees. Normally, the committee meetings are held once in every quarter except for Shareholders' Committee and Employees Stock Option Allotment Committee that generally meets once in every month and if necessary, additional meetings are held.

Audit Committee

The Audit Committee comprises of following directors, namely:

a) Mr. T.S.R. Subramanian (Chairman)
b) Ms. Robin Abrams
c) Mr. Subroto Bhattacharya
d) Mr. Amal Ganguli

The Deputy Company Secretary acts as a Secretary to the Committee.

Terms of Reference

The constitution and terms of reference of the Audit Committee meet all the requirements of section 292A of the Companies Act, 1956 as well as Clause 49 of the Listing Agreement. The Board of Directors has approved the following terms of reference for the Audit Committee.

a) Statutory auditors

Recommend to the Board the appointment and removal of the Statutory Auditors, fixation of audit fee and also approve payment for any other services.

b) Review independence of statutory auditors

In connection with recommending the firm to be retained as the Company's Statutory Auditors, review the information provided by the management relating to the independence of such firm, including, among other things, information relating to the non-audit services provided and expected to be provided by the Statutory Auditors.

The Committee is also responsible for:

i) Actively engaging in dialogue with the Statutory Auditors with respect to any disclosed relationship or services that may impact the objectivity and independence of the statutory auditors, and

ii) Recommending that the Board takes appropriate action in response to the Statutory Auditors' Report to satisfy itself of their independence.

c) Review audit plan

Review with the Statutory Auditors their plans for, and the scope of, their annual audit and other examinations.

d) Conduct of audit

Discuss with the Statutory Auditors the matters required to be discussed for the conduct of the audit.

e) Review audit results

Review with the Statutory Auditors the proposed report on the annual audit, areas of concern, the accompanying management letter, if any, the reports of their reviews of the Company's interim financial statements, and the reports of the results of such other examinations outside of the course of the statutory auditors' normal audit procedures that they may from time to time undertake.

f) Review financial statements

Review the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are accurate, sufficient and credible. The Audit Committee reviews with appropriate officers of the Company and the Statutory Auditors, the annual and interim financial statements of the Company prior to submission to the Board or public release thereof, focusing primarily on:

i) Any changes in accounting policies and practices.

ii) Major accounting entries based on exercise of judgment by management.

iii) Qualifications in draft audit report.

iv) Significant adjustments arising out of audit.

v) The going concern assumption.

vi) Compliance with accounting standards.

vii) Compliance with Stock Exchange and legal requirements concerning financial statements.

viii) Any related party transactions i.e. transactions of the Company with its subsidiaries, promoters or the management, or their relatives, etc. that may have conflict with the interest of the Company at large.

ix) Contingent liabilities.

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x) Status of litigations by or against the Company.

xi) Claims against the Company and their effect on the accounts.

g) Review policies

Review the Company's financial and risk management policies.

h) Review internal audit function

Review the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

i) Review internal audit plans

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the plans for and the scope of their ongoing audit activities.

j) Review internal audit reports

Review with the senior internal auditing executive and appropriate members of the staff of the internal auditing department the annual report of the audit activities, examinations and results thereof of the internal auditing department, any significant findings and follow up thereon. The Audit Committee also reviews the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.

k) Review systems of internal accounting controls

Review with the statutory auditors, the senior internal auditing executive and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staffs the adequacy of the Company's internal accounting controls, the Company's financial, auditing and accounting organizations and personnel and the Company's policies and compliance procedures with respect to business practices.

l) Review recommendations of auditors

Review with the senior internal auditing executive and the appropriate members of the staff of the internal auditing department, the recommendations made by the Statutory Auditors and the senior internal auditing executive, as well as such other matters, if any, as such persons or other officers of the Company may desire to bring to the attention of the Committee.

m) Review other matters

Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.

n) Reporting to Board

Report its activities to the Board in such manner and at such times, as it deems appropriate.

o) Investigation

The Audit Committee has the authority to investigate any matter in relation to the items specified in section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, it has full access to the information contained in the records of the Company. It can also investigate any activity within its term of reference. It has the authority to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (for non-payment of declared dividends) and creditors, if any.

p) Seek information/ advice

The Audit Committee can seek information from any employee and can obtain from outside any legal or other professional advice. It can also secure attendance of outsiders with relevant experience, if it considers necessary.

q) To attend Annual General Meeting

The Chairman of the Audit Committee attends the Annual General Meetings of the Company to provide any clarification on matters relating to audit sought by the members of the Company.

Statutory Auditors of the Company are special invitees to the Audit Committee meetings, wherein they participate on discussions related to the review of financial statements of the Company and any other matter that in the opinion of the statutory auditors needs to be brought to the notice of the Committee.

Four meetings of the Audit Committee were held during the year, on the following dates:

August 18, 2006
October 16, 2006
January 15, 2007
April 16, 2007

Attendance details of each member at the Audit Committee meetings held during the year ended June 30, 2007 are as follows:

Name of the Committee Member	Number of Meetings held	Number of Meetings attended
Mr. T.S.R. Subramanian	4	4
Ms. Robin Abrams	4	4
Mr. Subroto Bhattacharya	4	4
Mr. Amal Ganguli	4	4

Compensation Committee

The Compensation Committee of the Board consists of following members:

a) Mr. Shiv Nadar (Chairman)
b) Mr. T.S.R. Subramanian
c) Ms. Robin Abrams

Terms of Reference

The role of the Compensation Committee has been defined as under:

a) To review and approve/recommend the remuneration for the Corporate Officers or Whole-Time Directors of the Company;

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b) To review and recommend to the Board the remuneration policy for the Company;

c) To approve grant of stock options to the employees and / or Directors of the Company and subsidiary companies and perform such other functions as are required under the various Employees Stock Option Plans of the Company;

d) To discharge such other function(s) or exercise such power(s) as may be delegated to the Committee by the Board from time to time.

Four meetings of the Compensation Committee were held during the year, on the following dates:

August 18, 2006
October 16, 2006
January 15, 2007
April 16, 2007

Attendance details of each member at the Compensation Committee meetings held during the year ended June 30, 2007 are as follows:

Name of the Committee Member	Number of Meetings held	Number of Meetings attended
Mr. Shiv Nadar	4	3
Mr. T.S.R. Subramanian	4	4
Ms. Robin Abrams	4	4

Remuneration Policy and criteria of making payments to Executive and Non-Executive Directors

The remuneration policy of the Company is aimed at rewarding performance, based on review of achievements on a regular basis and is in consonance with the existing industry practice.

The criteria for making payments to Executive and Non-Executive Directors of the Company are as under:

Executive Directors:

The composition of the Board consists of only one Executive Director viz. Mr. Shiv Nadar and during the year under review no remuneration has been paid to him.

Non-Executive Directors:

The Company pays commission to its Non-Executive Directors as approved by the Board within the limits approved by the shareholders of the Company. The amount of such commission, taken together for all Non-Executive Directors, does not exceed 1% of the net profits of the Company in a financial year. The Non-Executive Directors are also paid sitting fees for attending the meetings of the Board of Directors and of the Audit Committee of the Company.

In addition to the above, the Directors of the Company are eligible for issuance of shares under the Stock Option Plans of the Company.

Remuneration to Directors:

The sitting fees and commission paid/ payable to the Non-Executive Directors is as follows:

Name of the Director	Sitting Fees for the year ended June 30, 2007 Rs. / lacs	Commission for the year ended June 30, 2007 Rs. / lacs	Shareholding in the Company as on June 30, 2007
Mr. T.S.R. Subramanian	1.80	15.00	17,600
Ms. Robin Abrams	1.60	15.00	1,71,200
Mr. Amal Ganguli	1.80	15.00	Nil
Mr. S. Bhattacharya	1.80	15.00	Nil
Mr. Ajai Chowdhry	0.80	Nil	19,420
Mr. P. C. Sen	0.60	15.00	Nil

The Company had also granted the Stock Options to the following directors of the Company under the 1999 Stock Option Plan of the Company as per the details given hereunder:

Name of the Director	Number of Granted Options	Vesting Period (in years)	Vesting Start Date
Mr. T.S.R. Subramanian	48,800	5	October 1, 1999
Ms. Robin Abrams	48,800	5	October 1, 1999

There were no other pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the Company.

Shareholders' Committee

The Shareholders' Committee consists of the following members:

a) Mr. T.S.R. Subramanian (Chairman)
b) Mr. Shiv Nadar
c) Mr. Subroto Bhattacharya
d) Mr. Ajai Chowdhry

Mr. Manish Anand, Deputy Company Secretary, is the compliance officer of the Company.

Terms of Reference

In view of the SEBI Corporate Governance norms, which have been incorporated in the Listing Agreement, the Shareholders' Committee has been formed to undertake the following activities:

a) To review and take all necessary actions for redressal of investors' grievances and complaints as may be required in the interests of the investors.

b) To approve requests of rematerialisation of shares, issuance of split and duplicate share certificates.

The details relating to the number of shareholders' complaints received and resolved and number of pending transfers have been provided in the shareholders information section.

During the year under review, the Committee met 12 times.

Employees Stock Option Allotment Committee

The Employees Stock Option Allotment Committee consists of following members:

a) Mr. Shiv Nadar, Chairman & CEO
b) Mr. T.S.R. Subramanian, Director
c) Mr. Subroto Bhattacharya, Director
d) Mr. Vineet Nayar, President
e) Mr. Anil Chanana, Executive Vice President – Finance*
f) Mr. S.L. Narayanan, Corporate Vice President- Finance #

* Co-opted as member w.e.f. September 11, 2006.
Ceased to be a member of the Committee w.e.f. September 11, 2006, due to cessation of his services from the Company.

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This Committee has been formed to allot shares to the employees who have exercised their stock options under the Stock Option Plans of the Company. During the year under review, the Committee met 17 times.

General Body Meetings

The location and time of the General Meetings held during the preceding 3 years are as follows:

Year	Date	Venue	Time	Special Resolution
Annual General Meetings				
2003-2004	December 17, 2004	FICCI Auditorium Federation House Tansen Marg, New Delhi.	11.00 A.M.	• Appointment of Mr. Shiv Nadar as Chairman & Managing Director. • Payment of commission to Non-Executive Directors. • Approval of 2004 Stock Option Plan for granting stock options: a) to employees & directors of the Company. b) to employees & directors of subsidiaries of the Company.
2004-2005	December 16, 2005	FICCI Auditorium Federation House Tansen Marg, New Delhi.	11.00 A.M.	• Adjustment against the Securities Premium account of the Amalgamated Company in accordance with the Scheme of Amalgamation.
2005-2006	December 14, 2006	FICCI Auditorium Federation House Tansen Marg, New Delhi.	11.00 A.M.	• Commencement of business set out in the "Other Objects" under the Object Clause of the Memorandum of Association of the Company.
Extra-Ordinary General Meeting				
2004-2005	December 21, 2004	FICCI Auditorium Federation House Tansen Marg, New Delhi.	11.00 A.M.	• Issue of 19,358,989 equity shares of the Company to Deutsche Bank AG on preferential basis.

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Details of resolutions passed by way of postal ballot

During the year ended June 30, 2007, pursuant to section 192A of the Companies Act, 1956, and Companies (Passing of Resolutions by Postal Ballot) Rules, 2001, the shareholders of the Company have approved certain resolutions by means of postal ballot, the details of which are as under:

Businesses considered vide postal ballot notice dated December 14, 2006 and whose results were declared on February 12, 2007:

(i) Special Resolution under section 16, 31 and 94 of the Companies Act, 1956 for increase in Authorised Share Capital of the Company from Rs. 1,25,45,00,000 (Rupees One Hundred Twenty Five Crores Forty Five Lacs Only) divided into 62,72,50,000 (Sixty Two Crores Seventy Two Lacs Fifty Thousand Only) equity shares of Rs. 2/-each (Rupees Two each) to Rs. 1,50,00,00,000 (Rupees One Hundred Fifty Crores Only) divided into 75,00,00,000 (Seventy Five Crore only) equity shares of Rs. 2/- each (Rupees Two each) and the consequent amendments in Clause V of the Memorandum of Association and Article 5(a) of the Articles of Association of the Company.

(ii) Ordinary Resolution under Article 132 of the Articles of Association of the Company for capitalization of such sum standing to the credit of Securities Premium Account of the Company, as may be considered necessary by the Board, for the purpose of issue of bonus shares of Rs. 2/- each in the ratio 1:1.

Details of the person who conducted postal ballot exercise

During the year ended June 30, 2007, postal ballot exercise was conducted by Mr. Nityanand Singh, Practising Company Secretary, New Delhi.

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Summary of the results announced by the Chairman of the Company on February 12, 2007 on the Postal Ballot Forms received is as follows:

S. No.	Particulars	Special Resolution	Ordinary Resolution
(a)	Total Postal Ballot Forms received	4,247	4,247
(b)	Invalid Postal Ballot Forms	321	318
(c)	Valid Postal Ballot Forms		
	- Valid Postal Ballot Forms	3,926	3,929
	- No. of Shares	24,60,50,475	24,60,52,192
	- Percentage of Shares	100.0000%	100.0000%
(d)	Votes in favour of the Resolution		
	- No. of Postal Ballot Forms	3,909	3,920
	- No. of Shares	24,60,19,609	24,60,51,813
	- Percentage of Shares	99.9875%	99.9998%
(e)	Votes against the Resolution		
	- No. of Postal Ballot Forms	17	9
	- No. of Shares	30,866	379
	- Percentage of Shares	0.0125%	0.0002%

Subsidiary Companies

During the year, none of the subsidiaries was a material non-listed Indian subsidiary Company as per the criteria given in clause 49 of the Listing Agreement. The Audit Committee of the Company reviews the financial statements and investments made by the unlisted subsidiary companies. The minutes of the Board meetings as well as the statements of significant transactions and arrangements entered into by the unlisted subsidiary companies, if any, are placed before the Board of Directors of the Company from time to time.

CEO/ CFO Certification

The Certificate as stipulated in clause 49(V) of the Listing Agreement was placed before the Board along with the financial statements for the year ended June 30, 2007 and the Board reviewed the same. The said Certificate is provided elsewhere in the Annual Report.

Disclosures

a) Related party transactions

The details of the transactions with related parties or others, if any, as prescribed in the Listing Agreement, are being placed before the Audit Committee from time to time. During the year under review, the Company has not entered into any transaction of a material nature with its subsidiaries, promoters, directors or the management, their relatives, etc., that may have any potential conflict with the interest of the Company.

b) Compliances by the Company

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or other statutory authorities relating to the above.

c) Material transactions with senior managerial personnel

During the year, no material transaction has been entered into by the Company with the senior management personnel where they had or were deemed to have any personal interest that may have a potential conflict with the interest of the Company. The Company has obtained requisite declarations from all senior management personnel in this regard and the same were placed before the Board of Directors.

d) Other Disclosures

The Company has also laid down the procedures to inform the Board members about the risk assessment and minimization procedures.

During the year, the Company did not raise any money through public issue, right issues or preferential issues and there was no unspent money raised through such issues.

Means of Communication

a) The quarterly financial results are generally published in Financial Express and Jansatta newspapers.

b) The quarterly, half yearly and annual financial statements are posted on the Company's website viz. www.hcltech.com.

c) The Company also makes a presentation to the investors and analysts after taking on record the quarterly results by the Company. Any press releases or official news are displayed on the Company's website.

d) The Company also intimates the Stock Exchanges all price sensitive information or such other matters which in its opinion are material and of relevance to the Shareholders.

e) Pursuant to clause 51 of the Listing Agreement, financial information like annual and quarterly financial statements, segment-wise results, shareholding pattern and annual report are made available on the SEBI's web-site. www.sebiedifar.nic.in

f) The Management's Discussion and Analysis (MD&A) on the financial statements is provided in the Annual Report.

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Shareholders' Information

(a) General Information

Dates of book closure	December 4, 2007 to December 13, 2007 (both days inclusive)
Date, time and venue of the ensuing Annual General Meeting	December 13, 2007; 11.00 A.M. FICCI Auditorium, Federation House, 1, Tansen Marg, New Delhi-110 001
Dividend Payment Date (subject to the approval of the shareholders)	On or before January 11, 2008
Listing on Stock Exchanges in India at	The National Stock Exchange of India Ltd. (NSE) Exchange Plaza, 5th Floor, Plot No. C/1 G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India. Tel.: +91-22-26598236, Fax: +91-22-26598237 The Bombay Stock Exchange Ltd. (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001, India. Tel.: +91-22-22721233, Fax: +91-22-22723121
Listing fees	Paid to all the above Stock Exchanges for the Year 2007-2008.
Stock Code	National Stock Exchange – "HCLTECH" Bombay Stock Exchange – "532281"
Registered Office	806, Siddharth, 96, Nehru Place New Delhi – 110 019, India Tel.: +91-11-26444812, Fax: +91-11-26436336 Homepage www.hcltech.com
Registrar & Shares Transfer Agent	Alankit Assignments Limited 205-208, Anarkali Market Jhandewalan Extension, New Delhi – 110 055, India. Tel.: +91-11-41540060-63, Fax: +91-11-41540064 E-mail: rta@alankit.com

b) Share Transfer System

The Company's share transfer authority has been delegated to the Company's officials who generally consider and approve the share transfer requests on a fortnightly basis.

The shares sent for physical transfer are generally registered and returned within a period of 15-20 days from the date of receipt of request, if the documents are complete in all respects. As per the requirement of clause 47 (c) of the Listing Agreement with the Stock Exchanges, the Company has obtained half-yearly certificates from Practising Company Secretary for due compliance of share transfer formalities.

c) Secretarial Audit

As required under Regulation 55A of SEBI (Depositories and Participants), Regulations, 1996, the secretarial audit for reconciling the total admitted capital with National Securities Depository Limited ("NSDL") and Central Depository Services (India) Ltd. ("CDSL") and the total issued and listed capital for each of the quarter in the financial year ended June 30, 2007 was carried out. The audit reports confirm that the total issued/ paid-up share capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

d) Dematerialisation of Shares

Effective July 24, 2000, the shares of the Company have been placed by SEBI under compulsory dematerialisation ("Demat") category and consequently, shares of the Company can be traded only in electronic form.

The system for getting the shares dematerialised is as under:

- Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to the Depository Participant (DP) with whom he/she has opened a Depository Account.
- DP processes the DRF and generates a unique number viz. DRN.
- DP forwards the DRF and share certificates to the Company's Registrar & Shares Transfer Agent.
- The Company's Registrar & Shares Transfer Agent after processing the DRF confirm or reject the request to the Depositories.

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- Upon confirmation, the Depository gives the credit to shareholder in his/her depository account maintained with DP.

The process of dematerialisation takes approx. 10-15 days from the date of receipt of DRF by the Registrar & Shares Transfer Agent of the Company.

As on June 30, 2007, about 99.90% of the equity shares issued by the Company have been dematerialised.

Company's ISIN in NSDL & CDSL: INE860A01027

Since the trading in the shares of the Company can be done only in electronic form, it is advisable that the shareholders who have the shares in physical form to get their shares dematerialised.

e) Distribution of shareholding as on June 30, 2007

Number of equity shares held	No. of shareholders	Shareholders (%)	No. of shares	Shares (%)
1 – 100	58,479	70.80	22,68,975	0.34
101 – 200	11,502	13.92	20,69,877	0.31
201 – 500	5,610	6.79	19,49,770	0.29
501 – 1000	2,112	2.56	15,87,075	0.24
1001 – 5000	3,305	4.00	82,08,117	1.24
5001 – 10000	807	0.98	57,20,747	0.86
10001 and above	787	0.95	64,18,78,555	96.71
Total	82,602	100.00	66,36,83,116	100.00

f) Categories of shareholders as on June 30, 2007

Category	Number of shares held	Voting Strength (%)
Promoters	44,82,86,250	67.55
Director & their Relatives	11,01,836	0.17
Mutual Funds/ UTI	3,07,85,261	4.63
Financial Institutions/ Banks	3,77,123	0.06
Insurance Companies	1,53,01,147	2.31
Foreign Institutional Investors	9,45,70,267	14.25
Foreign Banks	1,54,88,434	2.32
Bodies Corporate	2,13,39,150	3.22
Individuals	3,15,56,035	4.76
NRIs / OCBs	41,64,883	0.63
Foreign Nationals	89,396	0.01
Trusts	6,876	0.00
HUF	2,75,843	0.04
Clearing Members	3,40,615	0.05
Grand Total	66,36,83,116	100.00

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g) **Stock market data**

Monthly high and low quotations, as well as the volume of shares traded at the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), for fiscal year are as follows:

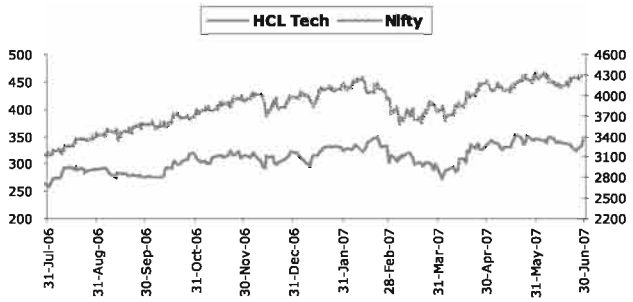
Month	NSE			BSE		
	High (Rs.)	Low (Rs.)	Volume (Number)	High (Rs.)	Low (Rs.)	Volume (Number)
July 2006	617.00	478.00	1,14,56,317	565.90	482.05	25,36,936
August	604.30	506.00	69,71,290	602.00	511.95	13,26,641
September	641.10	460.95	72,29,843	589.90	541.00	14,61,459
October	642.00	546.00	1,03,65,322	641.00	546.15	28,09,120
November	655.00	517.40	70,07,298	655.00	593.00	20,80,523
December	725.00	568.10	1,36,29,648	660.00	570.00	52,24,206
January 2007	670.50	578.00	98,41,074	670.00	585.45	31,13,226
February	714.80	578.05	1,09,26,924	715.00	555.00	25,76,088
March*	655.00	283.10	2,85,62,802	654.95	283.00	67,16,340
April*	342.00	254.70	2,58,55,011	341.00	271.05	54,93,658
May*	356.20	312.10	2,21,50,783	356.70	321.00	51,41,876
June*	365.45	323.00	1,53,34,901	365.75	323.20	29,47,317

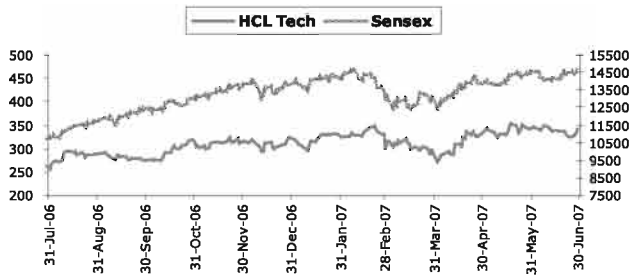
*During the year the Company had issued bonus shares in the ratio of one equity share for every one share held. The record date fixed for this purpose was March 16, 2007 and accordingly the share price of the Company got adjusted for the bonus issue w.e.f. March 15, 2007 (being the ex-bonus date on NSE and BSE).

h) **Liquidity**

The Company's shares are among the most liquid and actively traded shares on NSE and BSE. The monthly trading volumes of the Company's shares on these exchanges are given in the table above in the Paragraph (g) titled `Stock Market Data'.

i) **Share price performance in comparison to broad based Indices**





Note: The share price in the above graphs has been adjusted for issue of bonus shares in the ratio of 1:1. Please also refer to the note under "Stock Market Data" in paragraph (g) above.

j) **Shareholders Services**

(i) **Complaints received during the year 2006-2007**

The Company gives utmost priority to the interests of the shareholders. All the requests / complaints of the shareholders have been resolved to the satisfaction of the shareholders within the statutory time limits. The status of shareholders' complaints received during the financial year is as follows:

Source of Complaint	Received	Resolved
Directly from the Investors	77	77
Through SEBI, Stock Exchanges, etc.	5	5
Total	82	82

(ii) **Share Transfers** – As on June 30, 2007, 13 cases comprising of 3,128 shares were pending for transfer/ transmission which were processed subsequently.

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k) **Outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments, conversion date and likely impact on equity**

The Company has not issued any GDRs/ ADRs/ Warrants or other instruments, which are pending for conversion.

l) **Centres' Locations**

Chennai – Centers

50-53, Greams Road
Chennai - 600 006 India
Tel. : +(91) 44 2829 3298
Fax :+(91) 44 2829 4969

Raheja Towers
Module 812, 8th Floor
Mount Road
Chennai - 600 002 India
Tel: +(91) 44 2860 3091
Fax: +(91) 44 2860 3087

34 & 35 Haddows Road
Chennai - 600 034 India
Tel. : +(91) 44 4220 9999
Fax :+(91) 44 4213 2749

No.184-188, 190,192 & 196
Arcot Road, Vadapalani
Chennai - 600 026 India
Tel. : +(91) 44 2372 8366
Fax :+(91) 44 2480 6640

D-12, 12B, Ambattur Industrial Estate
Ambattur (AMB-1)
Chennai - 600 058 India
Tel.: +(91) 44 2623 0711
Fax: +(91) 44 2624 4213

PM Tower, 37
Greams Road
Chennai - 600 006 India
Tel. : +(91) 44 2829 1735
Fax :+(91) 44 2829 1738

J-16
Anna Nagar East
Chennai - 600 102 India
Tel. : +(91) 44 2626 4206
Fax :+(91) 44 2628 1120

Thapar House
43 / 44, Montieth Road, Egmore
Chennai - 600 008 India
Tel. : +(91) 44 2851 1293
Fax :+(91) 44 2851 1986

158, Arcot Road, Vadapalani
Chennai - 600 026 India
Tel. : +(91) 44 2375 0171
Fax :+(91) 44 2375 0185

78- Ambattur industrial Estate
Ambattur (AMB-2)
Chennai - 600 058 India
Tel. : +(91) 44 2623 2318
Fax :+(91) 44 2625 9476

64 & 65, Second Main Road
Ambattur Industrial Estate
Ambattur (AMB-3)
Chennai - 600 058 India
Tel. : +(91) 44 2652 1077
Fax :+(91) 44 4206 0485

73-74, South Phase
Ambattur Industrial Estate
Ambattur (AMB-5)
Chennai - 600 058 India
Tel:+(91) 44 4393 5000
Fax:+(91) 44 4206 0441

Sapna Trade Centre
109/110 P H Road
Chennai - 600 084 India
Tel. : +(91) 44 2822 1129
Fax :+(91) 44 2821 4278

No. 51, J.N. Road
Guindy (GUINDY-1)
Chennai - 600 097 India
Tel. : +(91) 44 2225 4460 / 65
Fax :+(91) 44 2225 4472

Arihant Technopolis
4/293 Old Mahabalipuram Road
Kandanchavadi
Chennai - 600 096 India
Tel. : +(91) 44 4395 7777

ETL Infrastructure Services Ltd.
Thoraipakkam – Pallavaram Ring Road
Thoraipakkam
Chennai – 600 096 India
Tel: +91 44 6630 1000
Fax: +91 44 6630 1111

94, South Phase
Ambattur Industrial Estate
Ambattur (AMB-4)
Chennai - 600 058 India
Tel: +(91) 44 4226 2222
Fax:+(91) 44 4215 3333

8,South Phase, MTH Road
Ambattur Industrial Estate
Ambattur (AMB-6)
Chennai - 600 058 India
Tel:+(91) 44 4396 8000
Fax:+(91) 44 4396 7004

49-50,
Nelson Manickam Road
Chennai - 600 029 India
Tel. : +(91) 44 2374 1939
Fax :+(91) 44 2374 1038

35, South Phase
Guindy Industrial estate
Ekkaduthangal, Guindy (GUINDY-2)
Chennai - 600 097 India
Tel : +(91) 44 2231 8321
Tel : +(91) 44 2231 8320

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601-602, 604 Tidel Park
4 Canal Road, Taramani
Chennai - 600 113 India
Tel. : +(91) 44 2254 0473
Fax :+(91) 44 2254 0308

HCL Technologies Ltd. (C-5)
Module 1, Tower 1
Floor Nos. 1 & 6
"Chennai One" SEZ Unit
ETL Infrastructure Services Ltd.
200 Ft, Thoraipakkam
Pallavaram Ring Road
Thoraipakkam, Chennai – 600 096 India
Tel : +(91) 44 6630 1000

HCL Technologies Ltd. (C-1)
#30, Ethiraj Salai, Egmore
Chennai - 600105 India
Tel : +(91) 44 2828 9200

HCL Technologies Ltd.(C-3)
Unit-2, Block-1, No. 84
Greams Road
Thousand Lights
Chennai - 600 006 India
Tel : +(91) 44 6622 5522

HCL Technologies Ltd, (C-2)
Unit-2, Block-1, No. 84
Greams Road
Thousand Lights
Chennai - 600 006 India
Tel : +(91) 44 6622 5522

HCL Technologies Ltd.(C-4)
Unit-2, Block-1, No.84
Greams Road
Thousand Lights
Chennai – 600 006 India
Tel : +(91) 44 6622 5522

Gurgaon – Centers

3, Udyog Vihar Phase 1
Gurgaon - 122 016
Haryana, India
Tel. : +(91) 124 434 6400
Fax :+(91) 124 243 9910

Plot No. 5,6,7 Udyog Vihar Phase 4
Gurgaon - 122 016
Haryana, India
Tel. : +(91) 124 434 6000
Fax :+(91) 124 401 9851

Plot No. 244, Udyog Vihar Phase 1
Gurgaon - 122 016
Haryana, India
Tel. : +(91) 124 434 6200
Fax :+(91) 124 234 9020

Plot No C-1, Sector-34
Gurgaon - 122 016
Haryana, India
Tel : +(91) 124-661 6565, 465 6565
FAX : +(91) 124- 221 2381

Kolkata Centers

SDF Building, 1st floor
Module No 2, 212-214
228-230, Block – GP
Sector – V, Salt Lake City
Kolkata - 700 091India
Tel. :+(91) 33 2357 3024-5
Fax :+(91) 33 2537 3027

INFINITY Building, Tower – II
14th Floor
Plot No. 3A, Block GP, Sector-V
Salt Lake City
Kolkata – 700 091India
Tel.: +(91) 33 2357 2487 – 90
Fax: +(91) 33 2357 2491

Mumbai Centers

Unit No.181 B
SDF 6, First Floor
SEEPZ, Andheri (East)
Mumbai - 400 096 India
Tel:+(91) 22 2829 1999
Tel:+(91) 22 5693 9295
Fax:+(91) 22 2929 2373

B-304 & C-301, 3rd Floor
'Delphi Building'
Hiranandani Business Park
Powai
Mumbai - 400 076 India
Tel:+(91) 22 4007 1400
Fax:+(91) 22 4005 0690

Noida Centers

A 9, 10 & 11, Sector 3
Noida - 201 301
UP, India
Tel. : +(91) 120 252 0917
Fax :+(91) 120 252 6907

A – 1 CD, Sector 16
Noida - 201 301
UP, India
Tel. : +(91) 120 2516321 – 28
Fax :+(91) 120 2516315

A- 8 & 9, Sector 60
Noida - 201 301
UP, India
Tel. : +(91) 120 438 4000
Fax :+(91) 120 258 2915

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C – 22 A
Sector 57
Noida - 201 301
UP, India
Tel. : +(91) 120 438 5000
Fax :+(91) 120 258 6420

A-104
Sector 58
Noida - 201307
UP, India
Tel.: +(91) 120 258 9690
Fax: +(91) 120 258 9688

C-23
Sector 58
Noida - 201307
UP, India
Tel.: +(91) 120 436 4400
Fax:+(91) 120 258 9690

A – 5, Sector 24
Noida - 201 301
UP, India
Tel.: +(91) 120 2411502
Fax: +(91) 120 2411005

A-11, Sector 16
Noida - 201 301
UP, India
Tel.: +(91) 120 2510701
Fax:+(91) 120 2510713

Plot No. 1& 2
Noida Express Highway
Sector-125
Noida - 201 301
UP, India
Tel.: +(91) 120 6614300
Fax: +(91) 120 661 4331

C-39
Sector 59
Noida - 201 307
UP, India
Tel.: +(91) 120 258 9690
Fax: +(91) 120 258 9690

A - 22
Sector 60
Noida - 201 307
UP, India
Tel.: +(91) 120 258 9690
Fax: +(91)120 258 9688

B-34 / 3
Sector 59
Noida - 201 307
UP, India
Tel.: +(91) 120 436 4488
Fax: +(91) 120 258 8972

Hyderabad Centers

Ground & First Floor
Jayabheri Silicon Towers
Madhapur Road, Kondapur
Hyderabad - 500 032 India
Tel.: +(91) 40 6643 1999
Fax: +(91) 40 6643 1900

Bangalore – Centers

Vertex Tech Park
#564, Pattandur Agrahara Road
Off Whitefield Road , Next to ITPL
Bangalore - 560 066 India
Tel.: +(91) 80 4187 3000
Fax: +(91) 80 4125 9126

The Senate
33/1, Ulsoor Road
Bangalore - 560 042 India
Tel.: +(91) 80 4190 6000
Fax: +(91) 80 4124 6888

10, 100 Feet Ring Road
BTM Layout 1st Phase
Bangalore - 560 068 India
Tel.: +(91) 80 4103 5000
Fax: +(91) 80 2668 0312

#690, 5& 6th Floor
Gold Hill Square (GHS)
Bommanahalli
Hosur Main Road
Bangalore - 560 068 India
Tel.: +(91) 80 4141 5000/ 5527 5000
Fax: +(91) 80 257 2798

DSL Towers
Plot No.123, EPIP Phase II
Whitefield Industrial Area
Bangalore - 560 066 India
Tel.: +(91) 80 4138 5555
Fax: +(91) 80 4115 7474

The Leela Galleria
Commercial Block
23, Airport Road
Bangalore - 560 008 India
Tel.: +(91) 80 2505 4000
Fax: +(91) 80 2521 7108

8 & 9, G.B. Palya
Off. Hosur Road
Bangalore - 560 068 India
Tel.: +(91) 80 4158 4000
Fax: +(91) 80 2573 5516

Surya Sappihre
Plot No:3
1st Phase Electronic city
Hosur Road
Bangalore - 560 100 India
Tel.: + (91) 80 6450 2301

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m)	Financial Calendar (tentative and subject to change)	
	Financial reporting for the first quarter ending September 30, 2007	October 16, 2007
	Financial reporting for the second quarter ending December 31, 2007	January 15, 2008
	Financial reporting for the third quarter ending March 31, 2008	April 15, 2008
	Financial reporting for the year ending June 30, 2008	July 31, 2008
	Annual General Meeting for the year ending June 30, 2008	October / November 2008

n) Address for Shareholders' correspondence

The Secretarial Department
HCL Technologies Limited
A-10&11, Sector – 3
Noida – 201 301 U.P., India
Tel.: +(91) 120 2520917/937/997, Fax: +(91)120- 2526907
E-mail: investor@hcl.in

o) Compliance Certificate on the Corporate Governance from the Auditors

The certificate dated August 13, 2007 obtained from Statutory Auditors of the Company, M/s. Price Waterhouse, confirming compliance with the Corporate Governance requirements as stipulated under clause 49 of the Listing Agreement, is annexed hereto.

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AUDITORS' CERTIFICATE

REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of HCL Technologies Limited

We have examined the compliance of conditions of Corporate Governance by HCL Technologies Limited ("the Company"), for the year ended June 30, 2007, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Kaushik Dutta
Partner
Membership No: 88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Gurgaon, Haryana
Date: 13 August 2007

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DECLARATION BY CHIEF EXECUTIVE OFFICER PURSUANT TO CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT OF THE INDIAN STOCK EXCHANGES

I, Shiv Nadar, Chairman & CEO of HCL Technologies Limited ("the Company") confirm that the Company has adopted a Code of Conduct ("Code") for its Board members and senior management personnel and the Code is available on the Company's web site.

I further confirm that the Company has in respect of the financial year ended June 30, 2007, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct

Place: Noida (UP), India
Date: 13 August 2007

Shiv Nadar
Chairman and CEO

CERTIFICATE BY CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) PURSUANT TO CLAUSE 49(V) OF THE LISTING AGREEMENT OF THE INDIAN STOCK EXCHANGES

We, Shiv Nadar, Chairman & CEO and Anil Chanana, Executive Vice President-Finance of HCL Technologies Limited ("the Company") certify that:

1. We have reviewed the financial statements and the Cash Flow Statement of the Company for the year ended June 30, 2007 and that to the best of our knowledge and belief -
 (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee –
 (i) significant changes, if any, in internal control over financial reporting during the year.
 (ii) significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 (ii) instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Noida (UP), India
Date: 13 August 2007

Anil Chanana
Executive Vice President - Finance

Shiv Nadar
Chairman and CEO

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Financial Statements

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AUDITORS' REPORT

To the Members of HCL Technologies Limited

1. We have audited the attached Balance Sheet of HCL Technologies Limited, as at June 30 2007, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

 (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

 (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

 (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

 (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

 (e) On the basis of written representations received from the directors, as on June 30, 2007 and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

 (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

 (i) in the case of the Balance Sheet, of the state of affairs of the company as at June 30, 2007;

 (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

 (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Kaushik Dutta
Partner
Membership No. F- 88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Gurgaon
Date : August 13, 2007

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of HCL Technologies Limited on the financial statements for the year ended June 30, 2007]

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

 (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

 (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.

2. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Consequently, clauses (iii) (b), (iii) (c), (iii) (d), (iii) (f) and (iii) (g) of paragraph 4 of the Order are not applicable.

3. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

 (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, are in respect of items of special nature and in respect of which alternative quotations are not considered necessary by the Company.

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AUDITORS' REPORT

To the Members of HCL Technologies Limited

5. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

7. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.

8. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, cess and other material statutory dues as applicable with the appropriate authorities. As explained to us, the Company did not have any dues on account of excise duty.

(b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of wealth tax, service tax, sales tax and cess as at June 30, 2007 which have not been deposited on account of dispute other than income tax and custom duty, which are as follows:-

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	21,795,327	2004-2005	Commissioner of Income Tax (Appeals) (CIT(A))
Income Tax Act, 1961	Income Tax	43,809,898	2002-2003	Karnataka High Court
Income Tax Act, 1961	Income Tax	634,433	2005-2006	Assessing officer
Income Tax Act, 1961	Income Tax	2,185,211	1997-1998	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	48,019	2005-2006	Assessing officer
Income tax Act, 1961	Income Tax	228,446,322	2004-2005	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	12,975,049	2004-2005	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	3,124,272	2001-2002	Income Tax Appellate Tribunal (ITAT)
Income tax Act, 1961	Income Tax	6,792,584	2001-2002	Karnataka High Court
Central Excise and Customs Act, 1962	Custom Duty	2,518,406	2003-2004	Custom, Excise and Service Tax Appellate Tribunal, Bangalore

9. The Company has no accumulated losses as at June 30, 2007 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

10. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to financial institution as at the balance sheet date. The Company has not issued any debentures. Further the Company does not have any dues payable to bank as at the balance sheet date.

11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

12. The provisions of any special statute applicable to chit fund/ nidhi / mutual benefit fund/societies are not applicable to the Company.

13. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.

14. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.

15. The Company has not obtained any term loans during the year.

16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

18. The Company has not raised any money by public issues during the year.

19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

20. Clauses, (ii) and (xix) of paragraph 4 of the Order are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Kaushik Dutta
Partner
Membership No. F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Gurgaon
Date: August 13, 2007

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Balance Sheet as at 30 June 2007

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	As at 30 June 2007	As at 30 June 2006
Sources of Funds			
Shareholders' funds			
Share capital	1	132.74	64.69
Share application money pending allotment		-	1.33
Reserves and surplus	2	3,292.28	2,511.18
		3,425.02	2,577.20
Loan funds			
Secured loans	3	40.77	13.17
Unsecured loans	4	0.12	0.21
		40.89	13.38
		3,465.91	**2,590.58**
Application of Funds			
Fixed assets	5		
Gross block		1,332.67	1,014.08
Less: Accumulated depreciation		(662.58)	(488.40)
Net block		670.09	525.68
Capital work-in-progress (including capital advances)		212.86	163.63
		882.95	689.31
Investments	6	1,988.86	1,907.76
Deferred tax assets	17(9)	29.84	17.83
Current assets, loans and advances			
Sundry debtors	7	712.48	645.98
Cash and bank balances	8	380.94	106.22
Loans and advances	9	411.07	275.62
Other current assets	10	378.18	82.96
		1,882.67	1,110.78
Less: Current liabilities and provisions	11	(1,318.41)	(1,135.10)
Net current assets		564.26	(24.32)
		3,465.91	**2,590.58**

Significant accounting policies and notes to the accounts 17

The schedules referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership no.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Gurgaon, India
Date: 13 August 2007

Place: Noida (UP),India
Date: 13 August 2007

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Profit and Loss Account for the year ended 30 June 2007

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	Year ended 30 June 2007	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)
Income			
Revenues	12	3,768.62	3,032.92
Other income	13	439.42	83.34
		4,208.04	3,116.26
Expenditure			
Cost of revenues	14	2,005.91	1,634.99
Aministration and other expenses	15	833.26	675.90
Finance charges	16	12.97	12.74
Depreciation	5	178.21	138.80
		3,030.35	2,462.43
Profit before tax		1,177.69	653.83
Tax Expense - current		(76.03)	(10.67)
- deferred		12.01	6.05
- fringe benefit		(11.85)	(10.83)
Profit after tax		1,101.82	638.38
Balance in Profit and Loss Account brought forward		1,185.99	836.20
Profit acquired under the scheme of amalgamation	17(2)	-	363.73
Profit available for appropriation		2,287.81	1,838.31
Appropriations			
Proposed final dividend [including Rs. 0.45 crores (previous year Rs. 0.66 crores) paid for previous year]		133.19	130.04
Corporate dividend tax on proposed final dividend [including Rs. 0.06 crores (previous year Rs. 0.09 crores) paid for previous year]		22.62	18.24
Interim Dividend		392.40	386.06
Corporate dividend tax on interim dividend		58.98	54.14
Transfer to general reserve		110.18	63.84
Balance carried forward to the balance sheet		1,570.44	1,185.99
		2,287.81	1,838.31
Earnings per equity share in rupees	17(22)		
Basic		16.88	9.93
Diluted		16.27	9.33
Number of shares used in computing earnings per equity share			
Basic		652,626,782	642,788,960
Diluted		677,387,746	684,311,714

Significant accounting policies and notes to the accounts 17

The schedules referred to above form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership no.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Gurgaon, India
Date: 13 August 2007

Shiv Nadar
Chairman and CEO

Anil Chanana
Executive Vice President - Finance

Place: Noida, (UP),India
Date: 13 August 2007

T S R Subramanian
Director

Manish Anand
Deputy Company Secretary

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Cash flow statement for the year ended 30 June 2007

(All amounts in crores of rupees except share data and unless otherwise stated)

	Year ended 30 June 2007	Year ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)
Cash Flows from Operating Activities		
Profit before tax	1,177.69	653.83
Adjusted for:		
Income from investments, interest and rent	(15.20)	(5.33)
Gain on sale of investments	(77.74)	(75.06)
Depreciation	178.21	138.80
Loss/ (gain) on sale of fixed assets	(0.27)	(1.42)
Other Non Cash Charges	3.62	1.85
Interest charges	8.34	9.40
Employee stock compensation cost	125.99	48.39
	1,400.64	**770.46**
Decrease/(increase) in sundry debtors	(69.97)	(176.15)
Decrease/(increase) in loans and advances	(98.27)	(163.46)
Decrease/(increase) in other current assets	(295.04)	(15.81)
Increase/(decrease) in current liabilities and provisions	79.12	374.49
Taxes paid	(18.55)	(16.99)
Net cash from (used for) operating activities	**997.93**	**772.54**
Cash Flows from Investing Activities		
Proceeds from/ (Investments in) mutual funds (net)	(13.37)	202.02
Proceeds from bonds (net)	10.00	10.50
Investment in subsidiaries	-	(11.00)
Investment in Joint ventures	-	(10.78)
Loans to subsidiaries (net of repayment)	(0.05)	(28.96)
Refund of advance from HCL Technologies Limited Employees Trust	-	0.03
Purchase of fixed assets (including capital advances)	(330.18)	(296.61)
Principal payment on finance lease obligations	(8.75)	(6.32)
Proceeds from sale of fixed assets	2.19	3.81
Income from investments, interest and rent	7.87	6.02
Taxes paid	(9.17)	(2.04)
Net cash from (used for) investing activities	**(341.46)**	**(133.33)**
Cash Flows from Financing Activities		
Issue of share capital (including securities premium and share application money pending allotment)	227.20	88.37
Increase/ (decrease) in unsecured loans	(0.09)	(0.06)
Dividends paid (including corporate dividend tax)	(599.24)	(586.56)
Repayment of long term debt	-	(130.77)
Interest charges on loans from banks	-	(3.70)
Interest charges on other loans	(9.44)	(7.57)
Net cash from (used for) financing activities	**(381.57)**	**(640.29)**
Exchange differences on translation of foreign currency cash and cash equivalents	(0.18)	3.30
Net increase/(decrease) in cash and cash equivalents	274.90	(1.08)
Cash and cash equivalents at the beginning of the year	106.22	84.53
Cash acquired under the scheme of amalgamation (refer note 2 of schedule 17)	-	19.47
Cash and cash equivalents at the end of the year	**380.94**	**106.22**

For components of cash and cash equivalents refer Schedule - 8 of the Balance Sheet.

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.

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Cash flow statement for the year ended 30 June 2007 (Contd.)

(All amounts in crores of rupees except share data and unless otherwise stated)

2. Assets/ (Liabilities) acquired under the scheme of amalgamation during the previous year have not been considered as cash flows, rather their net impact has been taken and shown as 'Cash acquired under the scheme of amalgamation'. (refer note 2 of schedule17)
3. Cash and cash equivalents includes the following, which are not available for use by the Company:

Investor Education and Protection Fund - Unclaimed dividend	1.53
Bank Guarantees Margin	0.01

4. Figures in brackets indicate cash outflow.
5. Previous year's figures have been regrouped and recast wherever necessary to conform to the current year classification.

This is the Cash Flow Statement referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership no.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Gurgaon, India
Date: 13 August 2007

Place: Noida (UP),India
Date: 13 August 2007

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 1: Share Capital	As at 30 June 2007	As at 30 June 2006
Authorised		
750,000,000 (previous year 627,250,000) equity shares of Rs. 2 each	150.00	125.45
Issued, Subscribed and Paid up		
663,683,116 (previous year 323,442,350) equity shares of Rs. 2 each, fully paid up (refer note 3 of schedule 17)	132.74	64.69
	132.74	64.69

Notes:

1. Paid up share capital includes:
 - 84,899,958 (previous year 42,449,979) equity shares of Rs. 2 each allotted as fully paid up, pursuant to contracts for consideration other than cash.
 - 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares by capitalisation of general reserve and 325,453,918 (previous year Nil) equity shares of Rs. 2 each issued as bonus shares by capitalisation of securities premium account.
 - 39,130,762 (previous year 16,392,641) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 1999 of the Company.
 - 15,241,280 (previous year 3,239,104) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2000 of the Company.
 - 1,687,976 (previous year Nil) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2004 of the Company.
2. HCL Corporation Limited, which ceased to be the Holding Company w.e.f. 27 March 2007, held 326,015,674 (previous year 161,507,837) equity shares on the date of the Balance Sheet and HCL Peripherals Limited, which ceased to be a fellow subsidiary from same date held Nil (previous year 1,500,000) equity shares on the same date.

Schedule 2: Reserves and Surplus	As at 1 July 2006	Additions	Deductions	As at 30 June 2007
Securities Premium Account	971.16	263.36	65.09	1,169.43
	(1,701.28)	(89.56)	(819.68)	(971.16)
General Reserve	303.15	110.18	-	413.33
	(256.17)	(69.05)	(22.07)	(303.15)
Employee stock options outstanding [net of deferred employee compensation cost of Rs. 242.76 crores (previous year Rs. 191.17 crores)]	50.88	125.99	37.79	139.08
	(2.49)	(48.39)	-	(50.88)
Profit and Loss Account	1,185.99	494.63	110.18	1,570.44
	(836.20)	(413.63)	(63.84)	(1,185.99)
	2,511.18	994.16	213.06	3,292.28
Previous year	(2,796.14)	(620.63)	(905.59)	(2,511.18)

Notes:

1. Addition to/ Deduction from the Securities Premium Account represent:
 a) Addition of Rs. 225.57 crores (previous year Rs. 87.83 crores) in respect of allotment of equity shares of Rs. 2 each to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999, Employee Stock Option Plan 2000 and Employee Stock Option Plan 2004.
 b) Addition of Rs. 37.79 crores (previous year Rs. Nil) being amount transferred from Employee stock options outstanding on exercise of stock options.
 c) Deduction of Rs. 65.09 crores (previous year Rs. Nil) being adjustment on account of capitalisation for issue of bonus shares in the ratio of 1:1.
 d) Deduction of Rs. Nil crores (previous year Rs. 819.68 crores) being adjustment on amalgamation of the transferor companies with the Company. (refer note 2 of Schedule 17)
2. a) Additions to General Reserve includes Rs. Nil crores (previous year Rs. 1.54 crores) on account of net gain/ (loss) on effective hedges acquired on amalgamation of HCL Technologies BPO Services Limited (erstwhile subsidiary) relating to April 05 to June 05. (refer note 2 of schedule 17)
 b) Deductions from General Reserve includes Rs. Nil (previous year Rs. 22.07 crores) on account of net gain/ (loss) on effective hedges.
3. Additions include addition in Securities Premium Account Rs. Nil (previous year Rs. 1.73 crores); in General Reserves Rs. Nil (previous y e a r Rs. 3.67 crores) and in profit and loss account Rs. Nil (previous year Rs. 363.73 crores) on account of amalagamation. (refer note 2 of schedule17)
4. Previous year figures are in brackets.

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 3: Secured Loans	As at 30 June 2007	As at 30 June 2006
From Others		
- Finance Lease Obligations		
Leased Vehicles [refer note 5 (i) of schedule 17] (Secured by hypothecation of leased vehicles)	18.25	13.17
Land & Buildings [refer note 5 (ii) of schedule 17]	22.52	-
	40.77	13.17

Schedule 4: Unsecured Loans	As at 30 June 2007	As at 30 June 2006
Other loans and advances		
-From financial institution [Amount payable within one year - Rs. 0.07 crore (previous year Rs. 0.09 crore)]	0.12	0.21
	0.12	0.21

Schedule 5: Fixed Assets

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 July 2006	Additions/ Adjust-ments	Dis-posals	As at 30 June 2007	As at 1 July 2006	Additions/ Adjust-ments	Dis-posals	As at 30 June 2007	As at 30 June 2007	As at 30 June 2006
Goodwill	1.98	-	-	1.98	1.46	0.38	-	1.84	0.14	0.52
Freehold land (refer note)	53.66	6.43	-	60.09	-	-	-	-	60.09	53.66
Leasehold land	103.66	7.92	-	111.58	2.59	1.24	-	3.83	107.75	101.07
Building (refer note)	99.89	24.85	-	124.74	17.54	5.98	-	23.52	101.22	82.35
Plant and machinery	153.07	83.09	0.66	235.50	94.73	36.10	0.66	130.17	105.33	58.34
Computers	284.41	92.80	0.59	376.62	179.73	69.47	0.46	248.74	127.88	104.68
Software	95.86	30.44	-	126.30	73.41	15.30	-	88.71	37.59	22.45
Furniture and fixtures	197.17	65.29	-	262.46	109.03	43.47	-	152.50	109.96	88.14
Vehicles - owned	4.65	1.19	0.55	5.29	3.40	0.66	0.39	3.67	1.62	1.25
- leased (refer note 5(i) of schedule 17)	19.73	12.53	4.15	28.11	6.51	5.61	2.52	9.60	18.51	13.22
	1,014.08	324.54	5.95	1,332.67	488.40	178.21	4.03	662.58	670.09	525.68
Previous year	632.06	392.25*	10.23	1,014.08	272.11	224.13**	7.84	488.40	525.68	359.95
Capital work-in-progress (including capital advances)									212.86	163.63

* Includes Rs. 168.73 crores on account of amalgamation (refer note 2 of schedule 17)

** Includes Rs. 85.33 crores on account of amalgamation (refer note 2 of schedule17)

Note:

Additions to freehold land and building include Rs. 6.43 crores (previous year Rs. Nil) and Rs. 17.39 crores (previous year Rs. Nil) respectively acquired on finance lease. (refer notes 5 (ii) of schedule 17)

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments	As at 30 June 2007	As at 30 June 2006
(A) LONG TERM INVESTMENTS		
Equity shares in subsidiaries - Trade and unquoted		
12,793,904 (previous year 12,793,904) equity shares of Rs. 10 each, fully paid up in HCL Comnet Systems and Services Limited	23.65	23.65
113,170,582 (previous year 113,170,582) equity shares of USD 1 each, fully paid in HCL Bermuda Limited, Bermuda	476.41	476.41
854,036 (previous year 854,036) equity shares of SGD 1 each, fully paid up in HCL Singapore Pte. Limited	5.25	5.25
4,900 (previous year 4,900) equity shares of SGD 1 each, fully paid up in DSI Financial Solutions Pte Limited, Singapore (refer note 4)	0.23	0.23
1 (previous year 1) equity shares of Euro 100 each, fully paid up in HCL GmbH	0.11	0.11
1,000,000 (previous year 1,000,000) equity Shares of Rs. 10 each, fully paid up in HCL Technoparks Limited	1.00	1.00
	506.65	**506.65**
Preference shares in subsidiaries - Trade and unquoted		
450,000,000 (previous year 450,000,000) 1% cumulative redeemable preference shares of Rs 1 each, fully paid up in HCL Comnet Systems and Services Limited	45.00	45.00
	551.65	**551.65**
Investment in Joint ventures – Trade and unquoted		
10,780,000 shares (previous year 10,780,000) of Rs. 10 each, fully paid up in NEC HCL System Technologies Limited	10.78	10.78
Investments in bonds - Other than trade and unquoted	12.00	12.00
(refer note 15 (i) of Schedule 17)		
Investments in mutual funds- Other than trade and unquoted	1,051.28	-
(refer note 15 (ii) of Schedule 17 & note 1)		
Total long term investments (A)	**1,625.71**	**574.43**
(B) CURRENT INVESTMENTS		
(refer note 15 (iii) of Schedule 17)		
Investments in mutual funds- Other than trade and unquoted (refer note 2)	363.15	1,323.33
Investments in bonds - Other than trade and quoted (refer note 3)	-	10.00
Total current investments (B)	**363.15**	**1,333.33**
Grand Total (A) + (B)	**1,988.86**	**1,907.76**

Notes:

1. Net asset value of long term investments in mutual funds as on 30 June 2007 Rs. 1,089.91 crores (previous year Rs. Nil).
2. Net asset value of current investments in mutual funds as on 30 June 2007 Rs. 400.23 crores (previous year Rs. 1,374.96 crores).
3. Market value of investments in bonds as on 30 June 2007 Rs. Nil (previous year Rs. 10.11 crores).
4. Balance 51% stake is held by HCL Bermuda Limited, a wholly owned subsidiary of the Company.

Schedule 7: Sundry Debtors	As at 30 June 2007	As at 30 June 2006
Unsecured - considered good (refer note)		
- Debts outstanding for more than six months	32.88	35.83
- Other debts	679.60	610.15
	712.48	645.98
Unsecured - considered doubtful		
- Debts outstanding for more than six months	4.53	2.57
- Other debts	1.53	0.26
	718.54	648.81
Less: Provision for doubtful debts	(6.06)	(2.83)
	712.48	**645.98**

Note: Sundry debtors include Rs. 390.15 crores (previous year Rs. 360.45 crores) recoverable from subsidiaries of the company.

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 8: Cash and Bank balances	As at 30 June 2007	As at 30 June 2006
Cash in hand	0.14	0.10
Remittances in transit	72.12	82.81
Balances with scheduled banks		
- On current accounts in Indian rupees (refer note 1)	20.52	15.84
- On current accounts in foreign currency	8.05	2.00
- On fixed deposit accounts in Indian rupees (refer note 2)	275.01	1.71
	375.84	102.46
Balance in current accounts with non-scheduled banks	5.10	3.76
(refer note 11 of schedule 17)		
	380.94	**106.22**

Notes:

1. Includes Rs. 1.53 crores (previous year Rs. 1.36 crores) in unclaimed dividend account.
2. Pledged with banks as security for guarantees Rs. 0.01 crore (previous year Rs. 0.01 crore).

Schedule 9: Loans and Advances	As at 30 June 2007	As at 30 June 2006
(Unsecured and considered good, unless otherwise stated)		
Loans and advances recoverable in cash or in kind or for value to be received		
- Considered good (refer note 1, 2 and 5)	355.35	257.23
- Considered doubtful	1.15	1.65
Loans to subsidiaries	15.70	15.65
MAT credit entitlement (refer note 1(l) of schedule 17)	31.91	-
Advance Income Tax (refer note 3)	-	1.96
Dividend receivable from subsidiary	0.45	0.43
Interest receivable (refer note 4)	7.66	0.35
	412.22	277.27
Less: Provision for doubtful advances	(1.15)	(1.65)
	411.07	**275.62**

Notes:

1. Includes Rs. 169.58 crores (previous year Rs. 76.88 crores) recoverable from the subsidiaries of the Company
2. Includes Rs. 0.02 crores (previous year Rs. 0.02 crores) on account of loan given to HCL Technologies Limited Employees Trust.
3. Net of provision for Income tax of Rs. Nil (previous year Rs. 76.73 crores).
4. Includes Rs. Nil (previous year Rs. 0.01 crores) recoverable from the subsidiaries of the Company.
5. Dues from the officers of the Company Rs. Nil crores (previous year Rs. 0.07), maximum balance outstanding during the year Rs. 0.07 crores (previous year Rs. 0.07 crores).

Schedule 10: Other Current Assets	As at 30 June 2007	As at 30 June 2006
Unbilled revenue (refer note)	102.68	82.96
Unrealised gain on forward exchange contracts and options	275.50	-
	378.18	**82.96**

Note:

Includes Rs. 59.56 crores (previous year Rs. 57.55 crores) in respect of subsidiaries of the Company.

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 11:Current liabilities and Provisions	As at 30 June 2007	As at 30 June 2006
Current liabilities		
Sundry creditors (refer note 1 & 2 and 24 of schedule 17)	858.50	699.89
Unrealised loss on forward exchange contracts and options	-	71.85
Unearned revenue (refer note 3)	55.44	28.29
Advance from customers (refer note 4)	65.32	113.55
Investor Education and Protection Fund- Unclaimed dividend	1.53	1.36
Other liabilities	22.23	20.08
	1,003.02	**935.02**
Provisions		
Provision for staff benefits	67.13	49.71
Provision for income tax (refer note 5)	88.54	-
Provision for fringe benefit tax (refer note 6)	4.41	2.82
Provision for wealth tax	0.01	0.03
Provision for dividend (including corporate dividend tax)	155.30	147.52
	315.39	**200.08**
	1,318.41	**1,135.10**

Notes:

1. Sundry creditors include Rs. 568.10 crores (previous year Rs. 461.17 crores) due to subsidiaries of the Company.
2. According to the information available with the Company, Rs. Nil (previous year Nil) is payable to small-scale industrial undertakings as defined under Section 3 (j) of the Industries (Development and Regulation) Act, 1951 as on 30 June 2007.
3. Unearned revenue includes Rs. 35.41 crores (previous year Rs. 9.79 crores) pertaining to the subsidiaries of the Company.
4. Advance from customer includes Rs. 64.46 crores (previous year Rs. 113.47 crores) pertaining to the subsidiaries of the Company.
5. Net of advance income tax of Rs. 96.06 crores (previous year Rs. Nil).
6. Net of fringe benefit advance tax of Rs. 19.29 crores (previous year Rs. 9.24 crores).

Schedule 12:Revenues	Year ended 30 June 2007	Year ended 30 June 2006 (Refer note 2 and 25 of schedule 17)
Information Technology (IT) Services	3,240.84	2,631.41
Business Process Outsourcing Services	527.78	401.51
	3,768.62	**3,032.92**

Schedule 13:Other Income	Year ended 30 June 2007	Year ended 30 June 2006 (Refer note 2 and 25 of schedule 17)
Interest income-gross [(Tax deducted at source Rs. 0.05 crores (previous year Rs. 0.10 crores)]		
- On fixed deposits	7.72	0.16
- On investments (other than trade)	1.25	1.77
- On loans	0.05	0.08
Dividend Income		
- On trade investments	0.45	0.43
- On investments (other than trade)	3.65	2.35
Exchange differences (net)	345.34	-
Rent received	2.08	0.54
Profit on sale of investments (other than trade)	77.73	75.25
Profit on sale of fixed assets (net)	0.27	1.42
Provision for diminution in value of investments written back	0.01	0.12
Miscellaneous income	0.87	1.22
	439.42	**83.34**

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 14: Cost of Revenues	Year Ended 30 June 2007	Year Ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)
Personnel expenses		
Salaries, wages and bonus	1,244.34	1,040.32
Contribution to provident and other funds	42.46	38.27
Staff welfare expenses	35.79	44.92
Employee stock compensation expense	125.99	48.39
	1,448.58	1,171.90
Others		
Software development expenses - external	557.33	463.09
	2,005.91	**1,634.99**

Schedule 15: Administration and Other Expenses	Year Ended 30 June 2007	Year Ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)
Rent	88.50	72.85
Power and fuel	63.43	52.78
Insurance	10.38	6.87
Repairs and maintenance		
- Plant and machinery	19.91	13.88
- Building	27.35	14.03
- Others	16.62	16.14
Communication costs	68.93	60.79
Travel and conveyance	327.73	206.92
Business promotion	12.41	9.93
Legal and professional charges	20.76	13.99
Lease rent	7.63	4.99
Software licence fee	47.33	37.22
Printing and stationery	11.66	6.22
Rates and taxes	31.79	19.81
Advertising and publicity	5.41	1.16
Books and periodicals	5.95	2.78
Recruitment, training and development	36.01	28.12
Provision for doubtful debts	3.37	0.81
Bad debts/ advances written off	0.10	0.03
Donations	0.04	0.01
Loss on sale of investments (other than trade)	-	0.31
Provision for doubtful advances	0.15	0.93
Premium amortisation on bonds	-	0.08
Exchange differences	-	82.35
Miscellaneous expenses	27.80	22.90
	833.26	**675.90**

Schedule 16: Finance Charges	Year Ended 30 June 2007	Year Ended 30 June 2006 (Refer note 2 and 25 of Schedule 17)
Interest		
- on assets under finance lease	2.96	1.50
- on loan from bank	-	1.83
- others	8.34	7.57
Bank charges	1.67	1.84
	12.97	**12.74**

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts

1. **Significant accounting policies**

a) **Basis of preparation**

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP"), accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, as adopted consistently by the Company. The financial statements are presented in crores of Indian rupees.

b) **Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete software development, income taxes, retirement benefit plans, provision for doubtful debts and estimated useful life of fixed assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

c) **Revenue recognition**

i) **IT Services**

Revenue from IT services comprises income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts and fixed time frame contracts is recognized in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognized on the basis of cost incurred in respect of each contract as a proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable based on current estimates. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro-rata basis over the period in which such services are rendered. Income from revenue sharing agreements is recognized when the right to receive is established. Costs and earnings in excess of billing are classified as unbilled revenue, while billing in excess of costs and earnings are classified as unearned income. Incremental revenue from existing contracts arising on future sales of the customers' products will be recognized when it is earned. Revenue and related direct costs from transition services in outsourcing arrangements are deferred and recognized over the period of the arrangement.

ii) **Business Process Outsourcing services**

Revenue from Business Process Outsourcing services is derived from both time based and unit-price contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contracts with the customer.

iii) **Others**

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, brokerage and rent are recognised when the right to receive the same is established.

d) **Expenditure**

Expenses are accounted for on an accrual basis and provisions are made for all known losses and liabilities.

e) **Fixed assets**

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year-end, are disclosed as capital work in progress.

f) **Depreciation**

Depreciation on fixed assets except leasehold land and leasehold improvements is provided on the straight-line method over their estimated useful lives, as determined by the management, at the rates which are equal to or higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the period of lease. Leasehold improvements are amortised over a period of four years or the remaining period of the lease, whichever is shorter. Estimated useful life of goodwill is five years and the carrying value of goodwill at the end of each accounting period is reviewed for impairment. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

The management's estimate of the useful life of the various fixed assets is as follows:

	Life (in years)
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4
Computers	3
Software	3
Furniture and fixtures	4
Vehicles – Owned	5
Vehicles – Leased	Over the period of lease or 5 years, whichever is lower

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

g) **Leases**

Finance leases

The assets taken on finance lease are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Operating leases

Lease payments under an operating lease are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term.

h) **Investments**

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as long term or current investments, based on management's intention at the time of purchase. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, determined separately for each investment. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investments.

i) **Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of the transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Profit and Loss Account. Foreign currency monetary assets and liabilities are translated at year-end rates and resultant gains/losses on foreign exchange translations are recognised in the Profit and Loss Account.

The branches of the Company are integral to the Company's operations and the financial statements of these branches are translated using the same principles and procedures of head office.

j) **Forward exchange contracts and options**

The Company purchases foreign exchange forward contracts and options to mitigate the risk of changes in foreign exchange rates associated with receivables and forecasted transactions denominated in certain foreign currencies.

For forward contracts associated with forecast transactions, gains or losses arising due to change in fair value of the forward contract have been recognized in the Profit and Loss Account.

For forward contracts associated with underlying outstandings at the Balance Sheet date, the exchange differences are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change. The premium or discount on such contracts arising at the inception are amortised as income or expense equitably over the life of the contract.

In case of currency options, changes in fair value of options contracts are recognized in Profit and Loss Account for the period.

k) **Employee stock option based compensation**

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of market price of underlying equity shares on the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company, is recognised as deferred stock compensation cost and is amortised on a graded vesting basis over the vesting period of the options.

l) **Taxation**

Income tax expenses comprise current tax and deferred tax charge or credit (reflecting the tax effects of the timing differences between the accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed for the appropriateness of their carrying values at each Balance Sheet date.

The tax filings are subject to review by the tax authorities in the jurisdictions where the Company conducts business. These reviews may result in assessments of additional taxes that are resolved with the authorities or potentially through the courts. Resolution of these matters involves some degree of uncertainty; accordingly, the Company provides income taxes for the liabilities it believes will ultimately result from the proceedings.

Minimum Alternate Tax (MAT) paid in accordance with tax laws, which give rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Provision for wealth tax is made based on tax liability computed after considering tax allowances and exemptions available in accordance with the provisions of the Wealth Tax Act, 1957.

m) **Retirement benefits**

Contributions to provident fund are deposited with a recognised provident fund trust, set up by the Company. The interest rate payable by the trust to the beneficiaries every year is notified by the government. The Company has an obligation to make good the shortfall, if

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

any, between the return from the investments of the trust and the notified interest rate. The Company made contributions to a scheme administered by an insurance company in respect of superannuation for applicable employees. The Company had no further obligations to the superannuation plan beyond its monthly contributions. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

n) Research and Development

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future uses, are capitalised and included in fixed assets.

o) Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary/ exceptional item. Basic earning per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earning per share is computed using the weighted average number of equity shares outstanding during the year and dilutive equity equivalent shares outstanding at the year end, except where the results would be anti dilutive.

p) Impairment of assets

Impairment loss, if any, is provided to the extent of the excess of the carrying amount of assets over their recoverable amount.

Recoverable amount is the higher of an asset's net selling price, and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

q) Provisions and Contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. A disclosure as a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2. A scheme of Amalgamation was concluded in the previous year which was accounted for under the 'pooling of interest method' being an amalgamation in the nature merger as prescribed by the Accounting Standard AS-14, "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India.

In terms of the Scheme, shortfall represents aggregate value of the assets reduced by the aggregate value of the liabilities and balance in Profit & Loss account and reserves of the merged companies over the value of interse loans and investments cancelled pursuant to the amalgamation. This shortfall amounting to Rs. 4.38 crores along-with loss of Rs. 815.30 crores arising in the books of the Company on account of the fall in the value of investments in the step down subsidiaries/subsidiaries on account of the amalgamation of the merged companies, was adjusted with securities premium account.

3. **Employee stock option plan (ESOP)**

The Company has established ESOP 1999, ESOP 2000 and ESOP 2004, for a total grant of 20,000,000, 15,000,000 and 20,000,000 options respectively to employees of the Company and its subsidiaries. These options are vested over a maximum period of 110 months, 104 months and 84 months respectively from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

Each option granted under the above plans entitles the holder to four equity shares (two equity shares prior to 1:1 bonus issue during the current fiscal year) of the Company at an exercise price, which is approved by the Compensation Committee.

As at 30 June 2007 3,442,289 (previous year 5,914,361) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 1999 Plan

Movement in Stock options	Year ended 30 June 2007	Year ended 30 June 2006
Outstanding at the beginning of the year	5,914,361	8,324,797
Add: Granted during the year	-	-
Less: Forfeited during the year	(519,995)	(821,616)
Exercised during the year	(1,564,580)	(1,228,245)
Expired during the year	(387,497)	(360,575)
Options outstanding at the end of the year	**3,442,289**	**5,914,361**

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

As at 30 June 2007 5,041,132 (previous year 8,453,526) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 2000 Plan

Movement in Stock options	Year ended 30 June 2007	Year ended 30 June 2006
Outstanding at the beginning of the year	8,453,526	10,866,909
Add: Granted during the year	-	-
Less: Forfeited during the year	(898,137)	(1,289,605)
Exercised during the year	(2,185,299)	(863,048)
Expired during the year	(328,958)	(260,730)
Options outstanding at the end of the year	**5,041,132**	**8,453,526**

As at 30 June 2007 3,752,886 (previous year 2,669,400) options were outstanding with the employees of the Company and its subsidiaries under the ESOP 2004 Plan

Movement in Stock options	Year ended 30 June 2007	Year ended 30 June 2006
Outstanding at the beginning of the year	2,669,400	373,472
Add: Granted during the year	1,720,200	2,382,500
Less: Forfeited during the year	(214,720)	(86,572)
Exercised during the year	(421,994)	-
Expired during the year	-	-
Options outstanding at the end of the year	**3,752,886**	**2,669,400**

The Company has calculated the compensation cost based on the intrinsic value method i.e. the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company is recognised as deferred stock compensation cost and is amortised on a graded vesting basis over the vesting period of the options. Had the Company applied the fair value method for determining compensation cost, the impact on net income and earnings per share is provided below.

	Year ended 30 June 2007	Year ended 30 June 2006
Net income – As reported	**1,101.82**	**638.38**
Net income – Proforma	**1,080.17**	**603.76**
Earnings per share (Rs.) (refer note 22)		
Basic – As reported	16.88	9.93
– Proforma	16.55	9.40
Diluted – As reported	16.27	9.33
– Proforma	15.95	8.83

Assumptions

The fair value of each share is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended 30 June 2007	Year ended 30 June 2006
Dividend Yield%	3.65%	3.08%
Expected term	Up to 35 months	Up to 90 months
Risk free interest rates	8.10%	6.50%
Volatility	26.67%	36.35%

The volatility of the share has been determined on the basis of the Company's historical share price for the period of 3 years 6 months.

Effective 01 April 2007, the Finance Act, introduced Fringe Benefit Tax ("FBT") on Employees' Stock Options. FBT liability crystallizes on the date of exercise of stock option. Subsequent to 01 April 2007, no stock options have been exercised.

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4. **HCL Technologies Limited Employees Trust**

During the year ended 30 June 2002, the Company established an independent trust called the HCL Technologies Limited Employees Trust ("Trust"). In accordance with the trust deed, the Trust acquires shares from the stock exchange out of funds borrowed from the Company and issues these shares to employees eligible to exercise stock option under the Employees Stock Option Plans 1999 and 2000.

The movement in the shares held by the Trust is given below:

	Year ended 30 June 2007	Year ended 30 June 2006
Shares held at the beginning of the year	-	-
Add: Shares purchased during the year *	-	1,650
Less: Shares issued to employees	-	1,650
Shares held at the end of the year	-	-

* In terms of the Order of Chief Judicial Magistrate, Noida (UP), the Company has in previous year received 1,650 shares for utilization for the welfare of the employees.

5. i) The Company has acquired vehicles on finance leases. The total minimum lease payments and maturity profile of finance leases at the Balance Sheet date, the element of interest included in such payments, and the present value of the minimum lease payments as of 30 June 2007 are as follows:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	8.42	1.69	6.73
	(5.17)	(1.07)	(4.10)
Later than one year and not later than five years	13.24	1.72	11.52
	(10.07)	(1.00)	(9.07)
	21.66	3.41	18.25
	(15.24)	(2.07)	(13.17)

Previous year figures are in brackets.

ii) During the previous year ended 30 June 2006, the Company has entered into a lease agreement with the lessor for lease for five years of a plot of land measuring 1.4 acres, and a building with a built-up area of 130,000 sq. ft. As per terms of the agreement, on expiry of the five year period, the lessor is bound to sell and the Company is required to purchase the land and building at the rate mentioned in the agreement and during the 5 year period, if the lessor desires to sell the property, the Company has the first right to purchase it at the rates mentioned in the agreement. During the current year, on getting possession, the Company has capitalised the aforesaid property by treating the transaction as a finance lease and the amount has been apportioned to freehold land and building on a fair value basis. The present value of minimum lease payments due to the lessor has been shown under the head "Secured Loans" as the legal title to the said freehold land and building vests in the lessor. The total minimum lease payments and maturity profile of finance leases at the Balance Sheet date, the element of interest included in such payments, and the present value of the minimum lease payments as of 30 June 2007 are as follows:

	Total minimum lease payments outstanding	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	2.57	1.38	1.19
	(-)	(-)	(-)
Later than one year and not later than five years	25.17	3.84	21.33
	(-)	(-)	(-)
	27.74	5.22	22.52
	(-)	(-)	(-)

Previous year figures are in brackets.

iii) The Company leases office spaces and accommodation for its employees under operating lease agreements. The lease rental expense recognised in the Profit and Loss Account for the year is Rs. 92.09 crores (previous year Rs. 75.00 crores). Future minimum lease payments and the payment profile of non-cancellable operating leases are as follows:

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	Year Ended 30 June 2007	2006
Not later than one year	74.89	69.51
Later than one year but not later than five years	189.80	206.72
Later than five years	44.25	64.18
	308.94	**340.41**

6. Segment reporting

(i) Business Segments

The operations of the Company predominately relate to providing IT services, delivered to customers located globally. Further, the Company is also engaged in the business of rendering business processing outsourcing services, which are in the nature of customer contact centers and technical help desks. The Chairman of the Company, who is the Chief Executive Officer, evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by types of service provided by the Company and geographic segmentation of customers.

Accordingly, revenue from service segments comprises the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

Revenue in relation to service segments is categorized based on items that are individually identifiable to that segment, while expenditure is categorized in relation to the associated turnover of the segment. Assets and liabilities are also identified to service segments.

(ii) Geographic Segments

Geographic segmentation is based on the location of the respective client. The principal geographical segments have been classified as America, Europe and others. Europe comprises business operations conducted by the Company in the United Kingdom, Sweden, Germany, Italy, Belgium, Netherlands, Finland and Switzerland. Since services provided by the Company within these European entities are subject to similar risks and returns, their operating results have been reported as one segment, namely Europe. All other customers, mainly in Japan, Australia, New Zealand, Singapore, Malaysia, Israel, South Korea, India and Hong Kong are included in others.

(iii) Segment Accounting Policies

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in Note 1 to this schedule on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment assets and liabilities

All segment assets and liabilities have been allocated to the various segments on the basis of specific identification.

Segment assets consist principally of fixed assets, sundry debtors, loans and advances, cash and bank balances, and unbilled receivables. Segment assets do not include unallocated corporate and treasury assets and net deferred tax assets and advance taxes. Segment liabilities include sundry creditors, other liabilities, unsecured loan and secured loan. Segment liabilities do not include share capital, reserves and provision for income tax.

b) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include premium amortized on bonds, diminution allowance in respect of current and trade investments, permanent diminution in case of long term investment, charge taken for stock options issued to employees, corporate expenses and finance cost.

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Financial information about the business segments for the year ended 30 June 2007 is as follows:

	IT services	Business Process Outsourcing services	Total
Segment Revenues	3,240.84	527.78	**3,768.62**
Segment results	798.52	114.53	**913.05**
Unallocated corporate expenses			(174.78)
Other Income			439.42
Net profit before taxes			**1,177.69**
Income tax			75.87
Net profit after taxes			**1,101.82**
Assets			
Segment assets	1,829.22	309.45	2,138.67
Unallocated assets			2,645.65
Total assets			**4,784.32**
Liabilities			
Segment liabilities	1,044.16	65.37	1,109.53
Unallocated liabilities			249.77
Total liabilities			**1,359.30**
Others			
Capital expenditure (including capital work-in-progress)	321.54	39.78	361.32
Unallocated corporate capital expenditure			12.45
Total			**373.77**
Significant non-cash adjustments			
Depreciation	126.43	41.91	168.34
Unallocated corporate depreciation			9.87
Total			**178.21**
Provision for doubtful debts/ advances and bad debts/ advances written off	2.31	1.31	**3.62**

Financial information about the business segments for the year ended 30 June 2006 is as follows:

	IT services	Business Process Outsourcing services	Total
Segment Revenues	2,631.41	401.51	**3032.92**
Segment results	650.99	81.84	**732.83**
Unallocated corporate expenses			(162.34)
Other Income			83.34
Net profit before taxes			**653.83**
Income tax			15.45
Net profit after taxes			**638.38**
Assets			
Segment assets	1,544.50	218.87	1,763.37
Unallocated assets			1,962.31
Total assets			**3,725.68**
Liabilities			
Segment liabilities	768.31	156.58	924.89
Unallocated liabilities			223.59
Total liabilities			**1,148.48**
Others			
Capital expenditure (including capital work-in-progress)	226.05	60.11	286.16
Unallocated corporate capital expenditure			16.73
Total			**302.89**
Significant non-cash adjustments			
Depreciation	95.10	38.82	133.92
Unallocated corporate depreciation			4.88
Total			**138.80**
Provision for doubtful debts/ advances and bad debts/ advances written off	1.76	0.01	**1.77**

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Revenue from the geographic segments based on domicile of the customer is as follows:

	Year Ended 30 June 2007	Year Ended 30 June 2006
America	2,280.21	1,944.22
Europe	1,150.17	842.90
Others	338.24	245.80
	3,768.62	3,032.92

A substantial portion of the total assets of the Company are in India. Assets used in the Company's business have not been identified to any of the geographic segments, as the assets are used interchangeably between the segments.

7. Related party transactions

a) Related parties where control exists

Holding company

HCL Corporation Limited, India *

Subsidiaries

HCL America Inc., United States of America
HCL Great Britain Limited, United Kingdom
HCL (Netherlands) BV, Netherlands
HCL GmbH, Germany
HCL Belgium NV, Belgium
HCL Sweden AB, Sweden
HCL Italy SLR, Italy
HCL Australia Services Pty. Limited, Australia
HCL (New Zealand) Limited, New Zealand
HCL Hong Kong SAR Limited, Hong Kong
HCL Japan Limited, Japan
HCL Comnet Systems and Services Limited, India
HCL Comnet Limited, India
HCL Bermuda Limited, Bermuda
HCL Venture Capital Limited, Bermuda**
HCL Holdings GmbH, Austria
EServe Holding Limited, Mauritius***
HCL Enterprise Solutions Limited, Mauritius
Intelicent India Limited, India
DSI Financial Solutions Pte. Limited, Singapore
HCL BPO Services (NI) Limited, Northern Ireland
HCL Technologies (Mass.) Inc., United States of America****
HCL Jones (Bermuda) Limited, Bermuda
HCL Jones LLC, United States of America
Insys Inc., Canada*****
Infosystems Europe Limited, United Kingdom******
HCL Singapore Pte. Limited, Singapore
HCL m.a. Limited*******
HCL Poland Sp.z.o.o.
HCL (Malaysia) Sdn. Bhd., Malaysia
HCL EAI Services Inc., United States of America
Aalayance (UK) Limited, United Kingdom
HCL EAI Services Limited, India
HCL Technoparks Limited

* Ceases to be holding company w.e.f. 27 March 2007.
** Merged with HCL Bermuda Limited, Bermuda w.e.f. 14 February 2007.
*** Deregistered w.e.f. 14 February 2007.
**** Merged with HCL America Inc., United States of America w.e.f. 01 April 2007.
***** Deregistered w.e.f. 23 May 2007.
****** Deregistered w.e.f. 03 August 2006.
******* Deregistered w.e.f. 02 May 2007.

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Others

HCL Technologies Limited Employees Trust

b) Related parties with whom transactions have taken place during the year

Subsidiaries

HCL America Inc., United States of America
HCL Great Britain Limited, United Kingdom
HCL (Netherlands) BV, Netherlands
HCL GmbH, Germany
HCL Belgium NV, Belgium
HCL Sweden AB, Sweden
HCL Australia Services Pty. Limited, Australia
HCL (New Zealand) Limited, New Zealand
HCL Hong Kong SAR Limited, Hong Kong
HCL Comnet Systems and Services Limited, India
HCL Comnet Limited, India
HCL Bermuda Limited, Bermuda
Intelicent India Limited, India
HCL Technologies (Mass.) Inc., United States of America
HCL Jones (Bermuda) Limited, Bermuda
HCL Singapore Pte. Limited, Singapore
HCL (Malaysia) Sdn. Bhd., Malaysia
HCL EAI Services Limited, India
HCL Technoparks Limited
HCL BPO Services (NI) Limited, Northern Ireland

Fellow Subsidiaries

HCL Peripherals Limited#

Jointly Controlled Entities

NEC HCL System Technologies Limited

Others (Significant influence)

HCL Infosystems Limited
HCL Infinet Limited^

ceases to be fellow subsidiary w.e.f. 27 March 2007
^ Merged with HCL Infosystems w.e.f. 01 April 2007

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

c) Transactions with related parties during the year in the ordinary course of business:

Particulars	Subsidiaries		Fellow Subsidiaries		Jointly controlled entities		Others		Key managerial personnel		Total	
	Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sale of materials and services	1,916.91	1,550.26	-	-	1.33	-	5.69	3.41	-	-	1,923.93	1553.67
Purchase of materials and services	561.64	444.47	0.21	0.17	-	-	27.00	25.87	-	-	588.85	470.51
Payment for use of facilities	0.75	-	0.50	0.38	-	-	0.95	0.96	-	-	2.20	1.34
Receipt for use of facilities	2.08	0.54	-	-	-	-	-	-	-	-	2.08	0.54
Dividend income	0.45	0.43	-	-	-	-	-	-	-	-	0.45	0.43
Interest Paid	8.34	7.47	-	-	-	-	-	-	-	-	8.34	7.47
Other receipts	2.56	0.04	-	-	1.57	0.93	-	-	-	-	4.13	0.97
Diminution in the value of investment (refer note 2 of schedule 17)	-	(815.30)	-	-	-	-	-	-	-	-	-	(815.30)
Investments	-	11.11	-	-	-	10.78	-	-	-	-	-	21.89
Loans (net of repayments)	0.05	15.65	-	-	-	-	-	(0.03)	-	-	0.05	15.62
Purchase of capital equipments	0.37	1.42	0.67	0.11	-	-	47.27	46.54	-	-	48.31	48.07
Provision for doubtful debts/ advances	-	-	-	-	-	-	0.23	-	-	-	0.23	-
Remuneration	-	-	-	-	-	-	-	-	-	1.51	-	1.51
Guarantees	2.81	(336.02)*	-	-	-	-	-	-	-	-	2.81	(336.02)

* Including corporate guarantees of Rs. 384.33 crores given by the Company for Transferor Companies (then subsidiaries Companies), cancelled pursuant to amalgamation. (refer note 2 of schedule 17)

d) Outstanding balances with related parties

Particulars	Subsidiaries		Fellow Subsidiaries		Jointly controlled entities		Others		Key managerial personnel		Total	
	As at 30 June		As at 30 June		As at 30 June		As at 30 June		As at 30 June		As at 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Debtors	390.15	360.45	-	-	0.74	-	1.22	2.45	-	-	392.11	362.90
Short Term Loans outstanding	15.70	15.65	-	-	-	-	0.03	0.02	-	-	15.73	15.67
Other receivables	229.60	134.87	0.04	0.19	0.26	0.98	2.74	5.03	-	-	232.64	141.07
Creditors	568.10	461.17	0.01	0.02	-	-	10.16	12.14	-	-	578.27	473.33
Advance received	64.46	113.47	-	-	-	-	-	0.01	-	-	64.46	113.48
Unearned revenue	35.41	9.79	-	-	-	-	0.54	0.01	-	-	35.95	9.80

8. Loans and Advances in the nature of Loans to Subsidiaries and Others

Name of the company	Amount of loan	Rate of Interest	Maximum amount outstanding during the year
HCL Technologies Limited Employees Trust	0.02	-	0.02
	(0.02)	(-)	(0.05)
HCL EAI Services Limited	0.55	9%	0.57
	(0.55)	(9%)	(0.57)
HCL Technoparks Limited	15.15	-	15.15
	(15.10)	(-)	(15.10)

Previous year figures are in brackets.

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9. Components of Deferred Tax Asset

	As at 30 June 2007	As at 30 June 2006
Carry forward long term capital loss	1.60	-
Depreciation	28.24	17.83
	29.84	17.83

10. Research and Development Expenditure

	As at 30 June 2007	As at 30 June 2006
Revenue	12.07	4.13
Capital	-	-
	12.07	4.13

11. Closing Balance and Maximum balances outstanding with non scheduled banks are as follows:

	Closing Balance		Maximum Balance	
	As at 30 June 2007	As at 30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
Non-scheduled banks - On Current account				
Citi Bank N.A. Singapore-SGD	0.19	0.21	0.21	0.21
Citi Bank N.A. Singapore-USD	0.21	0.24	0.24	1.86
Deutsche Bank, France –Euro	0.03	0.04	0.04	0.15
Deutsche Bank, Singapore -SGD	1.53	1.21	2.73	2.12
Bank of America, New York -USD	0.05	-	0.31	0.43
Deutsche Bank, London -GBP	1.11	1.62	2.64	4.61
Banker Trust, New York -USD	-	0.44	0.44	11.27
Deutsche Bank, New York, USA	1.98	-	2.47	-
Total	5.10	3.76		

12. Commitments and Contingent Liabilities

	As at 30 June 2007	As at 30 June 2006
i) Capital and other commitments		
a) Capital commitments Estimated amount of unexecuted capital contracts (net of advances)	211.64	140.43
b) Other commitments Commitment for land and building taken on lease [refer note 5 (ii)]	-	22.44
c) Outstanding letter of credit	18.22	13.84
	229.86	176.71

ii) Contingent Liabilities

a) Guarantees have been given by the Company on behalf of various subsidiaries against credit facilities, financial assistance and accommodation taken on lease amounting to Rs. 175.97 crores (previous year Rs. 186.01 crores). These guarantees have been given in the normal course of the Company's operations and are not expected to result in any loss to the Company on the basis of the beneficiaries fulfilling their ordinary commercial obligations.

b) Income Tax demands (excluding interest) of Rs. 31.04 crores (previous year Rs. 4.52 crores)

c) Disputed Sales Tax Rs. Nil (previous year Rs. 0.05 crores)

The amounts shown in the item (b) and (c) above represent best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interest and has been advised that it has strong legal positions against such disputes.

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

13. Land

i) During the previous year ended 30 June 2006, the Company had taken 50 acres of land at Chennai, Tamil Nadu, on leasehold basis for a period of 90 years from Electronics Corporation of Tamil Nadu (ELCOT). The lease rent payable is Re. 1 per annum over the lease period and the Company had paid Rs. 24 crores as a refundable security deposit. The continued validity of the lease agreement is dependent on compliance with specified terms and conditions.

ii) During the previous year ended 30 June 2006, the Company had entered into a lease agreement for six years with Karnataka Industrial Area Development Board (KIADB) for allotment of land against an "allotment consideration" of Rs 8.13 crores. KIADB will sell the property to the Company during the lease period or at the end of six years or an extended time period, at a price to be fixed by them subject to performance by the Company of all the conditions specified in the agreement. The Company will pay the sale price, after adjusting the "allotment consideration" already paid, which had been recorded as capital advances, till the resolution of all the precedent conditions.

14. The Company enters into foreign exchange forward contracts and options where the counter party is a bank. The foreign exchange forward contracts mature over periods ranging from one to thirty six months. The Company considers the risk of non performance by the counter party as negligible. The value of forward cover contracts and options outstanding as on 30 June 2007 amounted to Rs. 5,894.28 crores (previous year Rs. 2,704.46 crores).

15. The details of investments in mutual funds/ bonds and there movements during the year are provided below:

i) Details of Investments in bonds - Other than trade and unquoted

Particulars	Face Value	Balance as at 30 June 2007	Balance as at 30 June 2007	Balance as at 30 June 2006	Balance as at 30June 2006
		Units	Amount	Units	Amount
National Housing Bonds 5.5%	10,000	3,000	3.00	3,000	3.00
Rural Electrification Corporation Limited 5.5%	10,000	3,000	3.00	3,000	3.00
National Highway Authority Of India 5.65%	10,000	3,000	3.00	3,000	3.00
SIDBI Capital Gains bond 5.5%	10,000	3,000	3.00	3,000	3.00
Total			12.00		**12.00**

ii) Details of Investments in Mutual Funds - Other than trade and unquoted

Particulars	Face Value	Balance as at 30 June 2007	Balance as at 30 June 2007	Balance as at 30 June 2006	Balance as at 30 June 2006
		Units	Amount	Units	Amount
Principal FRF Flexible Maturity Fund Institutional Plan Growth	10	16,816,185	20.00	-	-
Pru ICICI Institutional Short Term Plan - Cumulative Option	10	4,109,145	5.62	-	-
Principal Floating Rate Fund SMP Institutional Option Growth Plan	10	4,508,485	5.00	-	-
CAN Floating Rate Fund Short Term Growth Fund	10	24,848,162	27.00	-	-
Kotak Flexi Debt Scheme - Growth	10	21,124,746	24.86	-	-
Templeton India TMA - Super Institutional Plan - Growth	1,000	80,726	9.00	-	-
HDFC Liquid - Premium Plus - Growth	10	23,518,959	35.00	-	-
HSBC Cash Fund - Institutional Plus - Growth	10	18,769,775	21.00	-	-
UTI Liquid Cash Plan Institutional - Growth Option	1,000	621,636	76.00	-	-
Grindlays Floating Rate Fund Institutional Plan B LTP Growth	10	46,659,018	54.56	-	-
Reliance Floating Rate Fund Growth	10	19,323,334	22.50	-	-
HDFC Cash Management Fund Savings Plan Growth	10	28,640,165	45.00	-	-
ICICI Prudential Institutional Liquid Plan -Super Institutional Growth	10	92,188,404	101.06	-	-
ABN Amro Money Plus Institutional Growth	10	14,719,243	16.43	-	-
DSP Merrill Lynch Liquid Plus Institutional Plan Growth	1,000	564,141	57.36	-	-
DSP ML Strategic Bond Fund-Growth Institutional	1,000	150,000	15.00	-	-
Fidelity Cash Fund - Super Institutional- Growth	10	14,470,105	15.00	-	-
ING Vysya Liquid Plus Fund - Institutional Growth	10	9,910,508	10.00	-	-
Kotak Liquid Institutional Premium - Growth	10	14,259,183	20.50	-	-
Reliance Liquid Plus Fund -Institutional Option - Growth Plan	1,000	737,957	75.00	-	-
Reliance Liquidity Fund -Growth Option	10	28,795,623	32.00	-	-
SBI Magnum Insta Cash Fund - Cash Option	10	13,634,263	23.00	-	-
Tata Floater Fund - Growth	10	26,908,504	30.01	-	-
Kotak FMP Series 26 - Growth	10	15,000,000	15.00	-	-
HDFC FMP 13 M July 2006(1)-Institutional Plan Growth	10	15,000,000	15.00	-	-

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Particulars	Face Value	Balance as at 30 June 2007	Balance as at 30 June 2007	Balance as at 30 June 2006	Balance as at 30June 2006
		Units	Amount	Units	Amount
ICICI Prudential FMP Series 30 -13 Month Plan-Institutional Growth	10	10,000,000	10.00	-	-
DWS Fixed Term Fund - Series 14- Growth Plan	10	25,377,280	25.38	-	-
SBI Debt Fund Series -15 Months (July 06) -Growth	10	10,000,000	10.00	-	-
TATA Fixed Horizon Fund Series 6 Scheme A Growth	10	15,000,000	15.00	-	-
DWS Fixed Term Fund - Series 16 -Institutional Plan	10	10,000,000	10.00	-	-
ABN AMRO FTP Series 3 Yearly Plan Growth	10	10,000,000	10.00	-	-
UTI Fixed Maturity Plan- YFMP (0806) Growth Plan	10	15,000,000	15.00	-	-
HSBC Fixed Time Series 14 -Growth *	10	10,000,000	10.00	-	-
ICICI Prudential Hybrid FMP 13 Months-Institutional-Growth	10	25,000,000	25.00	-	-
Reliance Fixed Horizon Fund 1-Institutional Plan- Annual Plan 1 Series 1-Institutional Growth Plan	10	10,000,000	10.00	-	-
DWS Fixed Term Fund- Series 15 growth Plan	10	10,000,000	10.00	-	-
HSBC Fixed Time Series 15 Institutional Growth *	10	15,000,000	15.00	-	-
Kotak FMP 15 M Series 1 - Growth	10	5,000,000	5.00	-	-
Standard Chartered Fixed Maturity Plan-Yearly Series 1	10	5,000,000	5.00	-	-
LIC MF Fixed Maturity Plan Series 15-13 Month Growth Plan	10	15,000,000	15.00	-	-
Reliance Fixed Horizon Fund Annual Plan Series III-Institutional Growth Plan	10	15,000,000	15.00	-	-
Principal Fixed Maturity Plan (FMP-31)-Series III	10	15,000,000	15.00	-	-
ABN AMRO FTP Series 4 -17 Month Institutional Growth	10	10,000,000	10.00	-	-
HDFC FMP 16 M December 2006 (2) -Wholesale Plan Growth	10	10,000,000	10.00	-	-
Birla FTP - Series O- Growth	10	15,000,000	15.00	-	-
Standard Chartered Fixed Maturity 10th Plan Growth	10	10,000,000	10.00	-	-
Principal PNB Fixed Maturity Plan (FMP-33) 540 Days Plan Series1 Jan 07	10	10,000,000	10.00	-	-
HSBC Fixed Term Series 22-Institutional Growth	10	5,000,000	5.00	-	-
Total			1,051.28		-
Less: Dimunition in the value of Investment			-		-
Total			**1,051.28**	-	-

iii) **Current Investments**

Details of Investments in mutual funds - Other than trade and unquoted

Particulars	Face Value	Balance as at 30 June 2007	Balance as at 30 June 2007	Balance as at 30 June 2006	Balance as at 30June 2006
		Units	Amount	Units	Amount
JM Equity and Derivative Plan Growth	10	9,530,091	10.00	9,530,091	10.00
Prudential ICICI Blended Plan Plan B Growth	10	-	-	10,000,000	10.00
Pru ICICI Long Term Plan Cumulative	10	-	-	16,265,240	23.00
ABN Amro Fixed Term Plan Series 1 Growth	10	-	-	15,000,000	15.00
Birla Fixed Maturity Plan Annual Series 3 Nov. 05 Growth	10	9,347,105	10.00	9,347,105	10.00
Birla Fixed Term Plan - Series D Growth	10	-	-	9,000,000	9.00
Birla Fixed Term Plan Series E Growth	10	-	-	15,000,000	15.00
Deutsche Fixed Term Fund - SERIES 6 Growth	10	-	-	10,000,000	10.00
Deutsche Fixed Term Fund Series 4 Growth Option	10	-	-	15,000,000	15.00
Deutsche Fixed Term Fund Series II Growth Option	10	-	-	15,000,000	15.00
Deutsche Fixed Term Fund Series III Growth Option	10	-	-	24,506,990	24.50
GFMP 15th Plan B Institutional Growth	10	-	-	22,000,000	22.00
GFMP 16th Plan A Institutional Growth	10	-	-	15,000,000	15.00
Grindlays Fixed Maturity 20th Plan Growth	10	-	-	15,000,000	15.00
HSBC Fixed Time Series 1 Growth	10	-	-	14,504,416	14.50
HSBC Fixed Time Series VI Growth *	10	10,000,000	10.00	10,000,000	10.00
JM Fixed Maturity Plan Yearly Plan YSB2- Growth	10	-	-	15,000,000	15.00
Kotak FMP Series XXI - Growth	10	-	-	9,000,000	9.00

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Particulars	Face Value	Balance as at 30 June 2007	Balance as at 30 June 2007	Balance as at 30 June 2006	Balance as at 30June 2006
		Units	Amount	Units	Amount
Principal Deposit Fund (FMP-6-20) 371 Days Plan Oct 05 Growth	10	-	-	15,008,894	15.01
Pru ICICI FMP Series 28 Growth	10	-	-	15,000,000	15.00
SBI FMP MDFS 13 Months Oct. 05 Growth	10	-	-	15,000,000	15.00
Sundaram Fixed Term Plan Series-III Feb06-Growth	10	-	-	5,000,000	5.00
TATA Fixed Horizon Fund Series 2 B 18 Months Growth	10	-	-	21,500,000	21.50
TATA Fixed Horizon Fund Series 3 Scheme F Growth *	10	15,000,000	15.00	15,000,000	15.00
UTI Fixed Maturity Plan- YFMP (0705) Growth Plan	10	-	-	17,000,000	17.00
UTI Fixed Maturity Plan- YFMP (0905) Growth Plan	10	-	-	15,000,000	15.00
Birla Cash Plus Institutional Premium Plan Growth	10	46,682,851	48.08	57,175,150	58.89
DSP Merrill Lynch Liquidity Fund - Growth	10	-	-	1,162,703	1.85
ING Vysya Liquid Fund Institutional Plan Growth Option	10	-	-	4,766,781	5.00
Principal Cash Management Fund Liquid Option Institutional Premium Plan Growth	10	16,320,578	18.00	16,320,578	18.00
Prudential ICICI Liquid Institutional Plus - Growth	10	-	-	985,384	1.66
HDFC Floating Rate Income Fund LTP Growth	10	-	-	1,818,182	1.98
HSBC Floating Rate Fund Long Term Institutional Plan B Growth	10	-	-	21,102,935	21.70
Principal FRF Flexible Maturity Fund Institutional Plan Growth	10	11,039,567	11.50	11,039,567	11.50
Pru ICICI Long Term Floating Rate Plan B Growth	10	-	-	9,393,785	9.62
DSP Merrill Lynch Short Term Fund Growth	10	-	-	6,696,958	7.75
GSTG GSSIF-Short Term Plan - Growth Option	10	-	-	992,526	1.30
HSBC Income Fund - Short Term Plan - Institutional Option Growth	10	-	-	9,242,209	10.75
K Bond Short Term Plan-Growth	10	-	-	11,499,883	14.01
Principal Income Fund STP Institutional Plan - Growth	10	4,096,279	4.71	8,844,948	9.88
Pru ICICI Institutional Short Term Plan - Cumulative Option	10	-	-	1,153,448	1.50
Prudential ICICI Short Term Plan-Cumulative Option	10	-	-	5,265,109	6.42
Reliance Short Term Fund Growth	10	-	-	12,775,941	15.02
Tata Short Term Bond Fund -Growth	10	-	-	18,306,623	22.04
Templeton India Short Term Income Plan Growth	1,000	-	-	59,524	7.25
Deutsche Floating Rate Fund Regular Plan - Growth	10	-	-	63,458	0.07
DSP Merrill Lynch Floating Rate Fund Growth	10	-	-	15,258,179	16.74
Grindlays Floating Rate Fund Super Institutional Plan C STP Growth	10	-	-	34,103,396	36.75
HSBC Floating Rate Fund Short Term Institutional Option - Growth	10	-	-	6,135,268	6.22
Principal Floating Rate Fund SMP Institutional Option - Growth Plan	10	5,458,565	5.57	36,376,820	38.10
Pru ICICI Floating Rate Plan C Growth	10	-	-	48,867,686	51.94
Sundaram Floater ST Institutional Growth	10	-	-	13,410,629	14.00
TATA Floating Rate Short Term Institutional Plan Growth	10	11,413,752	11.95	21,004,318	22.00
UTI Floating Rate Fund Short Term Plan Growth	1,000	-	-	254,726	27.90
Birla Fixed Term Plan - Series H Growth	10	-	-	15,000,000	15.00
Birla Floating Rate Fund Long Term Growth	10	-	-	5,515,311	5.98
Birla Floating Rate Fund Short Term Growth	10	-	-	9,716,182	10.58
CAN Floating Rate Fund Short Term Growth Fund	10	20,400,851	22.00	20,400,851	22.00
Deutsche Insta Cash Fund - Growth	10	-	-	2,677,567	2.96
Deutsche Short Maturity Fund - Growth Option	10	-	-	7,203,256	8.34
DSP Merrill Lynch Liquidity Fund IP- Growth	1,000	193,619	20.00	193,619	20.00
DSPML Floating Rate Institutional Growth	1,000	-	-	44,993	4.50
Franklin Templeton Fixed Tenure Fund Series V	10	-	-	15,000,000	15.00
Grindlays Fixed Maturity - 22nd Plan - Growth	10	-	-	14,000,000	14.00
Grindlays Floating Rate Fund - ST Institutional Plan B	10	-	-	6,538,158	7.20
HDFC Cash Management Fund - Savings Plus Plan Growth	10	534,860	0.79	534,860	0.79
HDFC Floating Rate Fund - ST - Growth	10	-	-	3,633,784	3.99
HDFC FMP 13 Month March 2006 Growth	10	-	-	25,000,000	25.00

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Particulars	Face Value	Balance as at 30 June 2007	Balance as at 30 June 2007	Balance as at 30 June 2006	Balance as at 30June 2006
		Units	Amount	Units	Amount
HSBC Fixed Time Series IV Growth	10	-	-	10,000,000	10.00
ING Vysya Floating Rate Fund Growth	10	-	-	7,088,935	7.40
Kotak Cash Plus Growth	10	-	-	12,541,362	13.00
Kotak Flexi Debt Scheme - Growth	10	-	-	3,816,830	4.00
Kotak Floater Short Term Growth	10	-	-	2,192,326	2.42
Kotak FMP Series 13 - Growth	10	-	-	15,000,000	15.00
Kotak FMP Series XIV - Growth	10	-	-	15,000,000	15.00
Principal Income Fund Short Term Institutional Plan Growth	10	-	-	7,094,205	8.03
Pru ICICI FMP Plan - Institutional Cumulative 28	10	-	-	5,000,000	5.00
Prudential ICICI Floating Rate Fund-Plan B Short Term -Growth	10	-	-	3,690,432	4.03
Prudential ICICI Institutional FMP-15 Monthly Plan Series XXV	10	-	-	12,594,106	13.50
Prudential ICICI Institutional Liquid Plan - Super Institutional Daily Dividend	10	-	-	931,914	0.93
Standard Chartered Fixed Maturity-2 Plan Growth	10	-	-	5,000,000	5.00
TATA Fixed Horizon Fund Series1-Plan C (371 Days)-Growth	10	-	-	15,000,000	15.00
TATA Fixed Horizon Fund Series2	10	-	-	15,000,000	15.00
TATA Fixed Horizon Fund Series 2-Plan C 18 months Growth	10	15,000,000	15.00	15,000,000	15.00
TATA Fixed Horizon Fund Series 3 Plan C (13 Months) Growth	10	-	-	10,000,000	10.00
TATA Fixed Horizon Fund Series 3 Scheme G Growth	10	15,000,000	15.00	15,000,000	15.00
Templeton Floating Rate Fund - ST - Growth	10	-	-	4,686,413	5.61
Templeton Floating Rate Fund - ST - Growth Institutional	10	-	-	8,485,121	8.52
UTI Fixed Term Income Fund Series - Plan 18 - Growth	10	15,000,000	15.00	15,000,000	15.00
HDFC FMP 13 M June 2006 (1) - Institutional Plan Growth	10	15,000,000	15.00	15,000,000	15.00
HSBC Fixed Time Series IX 370 Days Growth *	10	15,000,000	15.00	15,000,000	15.00
SBI FMP MDFS 13 Months June 2006	10	10,000,000	10.00	10,000,000	10.00
Templeton India TMA - Super Institutional Plan - Growth	1,000	143,476	15.01	143,476	15.01
UTI Fixed Maturity Plan- YFMP (0606) Growth Plan	10	15,000,000	15.00	15,000,000	15.00
ING Vysya Liquid Fund Super Institutional Plan Growth Option	10	33,718,391	35.51	33,718,391	35.51
DSP Merrill Lynch Liquidity Fund Institutional Plan Daily Dividend	1,000	100,045	10.01	-	-
HSBC Cash Fund - Institutional Plus -Daily Dividend	10	-	-	5,742	0.01
Can Floating Rate Fund Short Term Weekly Dividend	10	-	-	38,366,634	39.39
Standard Chartered Liquidity Manager Plus Daily Dividend	1,000	-	-	2,875	0.29
UTI Spread Fund -Dividend Plan Reinvestment	10	5,000,000	5.00	5,000,000	5.00
DSP Merrill Lynch Liquid Plus Institutional Plan Daily Dividend	1,000	100,157	10.02	-	-
Total			**363.15**		**1,323.34**
Less: Dimunition in the value of Investment			-		(0.01)
Total (A)			**363.15**		**1,323.33**

Details of Investments in bonds - Other than trade and quoted

Particulars	Face Value	Balance as at 30 June 2007	Balance as at 30 June 2007	Balance as at 30 June 2006	Balance as at 30June 2006
		Units	Amount	Units	Amount
IRFC 7.8% Tax Free Bonds	1,000,000	-	-	100	10.00
Total					**10.00**
Less: Dimunition in the value of Investment		-	-	-	-
Total (B)			**-**		**10.00**
Total (A)+(B)			**363.15**		**1,333.33**

Note:

* These units have been pledged in favour of HSBC Banking Corporation Limited in consideration of financial arrangements, however no facility has been availed as on date.

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

iv) Details of units of mutual funds & bonds purchased and redeemed/ sold during the year

Particulars	Face Value	Purchased During the Year		Sale/ Redemption Proceeds During the Year	
		Units	Amount	Units	Amount
Prudential ICICI Blended Plan Plan B Growth	10	-	-	10,000,000	10.82
Birla Income Plus Growth	10	5,885,915	17.50	5,885,915	17.82
HDFC Income Fund Growth	10	1,523,595	2.50	1,523,595	2.53
Pru ICICI Long Term Plan Cumulative	10	-	-	16,265,240	24.44
Prudential ICICI Income Plan - Growth	10	960,297	2.00	960,297	2.06
Prudential ICICI Institutional Income Plan Growth	10	2,337,355	5.00	2,337,355	5.15
ABN Amro Fixed Term Plan Series 1 Growth	10	-	-	15,000,000	16.43
Birla Fixed Term Plan - Series D Growth	10	-	-	9,000,000	9.87
Birla Fixed Term Plan Series E Growth	10	-	-	15,000,000	16.30
Deutsche Fixed Term Fund - Series 6 Growth	10	-	-	10,000,000	10.89
Deutsche Fixed Term Fund Series 4 Growth Option	10	-	-	15,000,000	16.27
Deutsche Fixed Term Fund Series II Growth Option	10	-	-	15,000,000	15.94
Deutsche Fixed Term Fund Series III Growth Option	10	-	-	24,506,990	26.01
GFMP 15th Plan B Institutional Growth	10	-	-	22,000,000	23.34
GFMP 16th Plan A Institutional Growth	10	-	-	15,000,000	16.42
Grindlays Fixed Maturity 20th Plan Growth	10	-	-	15,000,000	16.26
HSBC Fixed Time Series 1 Growth	10	-	-	14,504,416	15.92
JM Fixed Maturity Plan Yearly Plan YSB2- Growth	10	-	-	15,000,000	15.95
Kotak FMP Series XXI - Growth	10	-	-	9,000,000	9.86
Principal Deposit Fund (FMP-6-20) 371 Days Plan Oct 05- Growth	10	-	-	15,008,894	15.94
Pru ICICI FMP Series 28 Growth	10	-	-	15,000,000	16.27
SBI FMP MDFS 13 Months Oct. 05 Growth	10	-	-	15,000,000	16.00
Sundaram Fixed Term Plan Series-III Feb 06-Growth	10	-	-	5,000,000	5.45
Tata Fixed Horizon Fund Series 2 B 18 Months Growth	10	-	-	21,500,000	23.63
UTI Fixed Maturity Plan- YFMP (0705) Growth Plan	10	-	-	17,000,000	18.04
UTI Fixed Maturity Plan- YFMP (0905) Growth Plan	10	-	-	15,000,000	15.97
Birla Cash Plus Institutional Premium Divd Plan Dailly Dividend Reinvestment	10	77,405,652	77.56	77,405,652	77.56
Deutsche Institutionala Cash Plus Fund - Institutional Daily Dividend Plan	10	25,986,085	26.04	25,986,085	26.04
DSP Merrill Lynch Liquidity Fund Institutional Plan Daily Dividend	1,000	350,327	35.04	250,282	25.03
HSBC Cash Fund - Institutional Plus -Daily Dividend	10	69,561,635	69.60	69,567,376	69.61
Kotak Liquid Institutional Premium Plan Daily Dividend	10	70,985,874	86.80	70,985,874	86.80
Reliance Liquid Fund Cash Plan Daily Dividend	10	73,777,298	82.20	73,777,298	82.20
Reliance Liquidity Fund Daily Dividend Reinvest	10	144,468,558	144.51	144,468,558	144.51
SBI Magna Institutionala Cash Fund - Dividend Reinvestment	10	37,658,895	63.08	37,658,895	63.08
Sundaram Money Fund- Institutional - Dividend reinvestment Daily	10	5,425,538	5.48	5,425,538	5.48
UTI Liquid Cash Plan Institutional - Daily Income Option	1,000	2,529,895	257.91	2,529,895	257.91
Birla Cash Plus Institutional Premium Plan Growth	10	-	-	10,492,299	11.97
DSP Merrill Lynch Liquidity Fund - Growth	10	-	-	1,162,703	2.03
HDFC Liquid -Premium Plus - Growth	10	23,518,959	35.00	-	-
HSBC Cash Fund - Institutional Plus - Growth	10	18,769,775	21.00	-	-
ING Vysya Liquid Fund Institutional Plan Growth Option	10	-	-	4,766,781	5.35
Prudential ICICI Liquid Institutional Plus - Growth	10	-	-	985,384	1.81
UTI Liquid Cash Plan Institutional - Growth Option	1,000	621,636	76.00	-	-
Principal FRF Flexible Maturity Fund Institutional Plan WD	10	5,070,040	5.08	5,070,040	5.07
Grindlays Floating Rate Fund Institutional Plan B LTP Growth	10	46,659,018	54.56	-	-
HDFC Floating Rate Income Fund LTP Growth	10	-	-	1,818,182	2.16
HSBC Floating Rate Fund Long Term Institutional Plan B Growth	10	-	-	21,102,935	23.22
Principal FRF Flexible Maturity Fund Institutional Plan Growth	10	16,816,185	20.00	-	-
Pru ICICI Long Term Floating Rate Plan B Growth	10	-	-	9,393,785	10.70
Birla Bond Plus Institutional Plan-Growth	10	6,689,128	9.00	6,689,128	9.46
DSP Merrill Lynch Short Term Fund Growth	10	-	-	6,696,958	8.62
GSTG GSSIF-Short Term Plan-Growth Option	10	-	-	992,526	1.45

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Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Particulars	Face Value	Purchased During the Year		Sale/ Redemption Proceeds During the Year	
		Units	Amount	Units	Amount
HSBC Income Fund - Short Term Plan - Institutional Option Growth	10	-	-	9,242,209	11.61
K Bond Short Term Plan-Growth	10	-	-	11,499,883	14.93
Principal Income Fund STP Institutional Plan - Growth	10	4,096,279	5.00	8,844,948	11.01
Pru ICICI Institutional Short Term Plan - Cumulative Option	10	4,109,145	5.70	1,153,448	1.64
Prudential ICICI Short Term Plan-Cumulative Option	10	-	-	5,265,109	7.43
Reliance Short Term Fund Growth	10	-	-	12,775,941	16.56
Tata Short Term Bond Fund -Growth	10	-	-	18,306,623	23.43
Templeton India Short Term Income Plan Growth	1,000	-	-	59,524	8.06
Kotak Floater Short Term Weekly Dividend	10	7,502,692	7.52	7,502,692	7.52
Principal Floating Rate Fund SMP Institutional Option Daily Dividend	10	73,713,610	73.72	73,713,610	73.72
Reliance Floating Rate Fund Daily Dividend Reinvestment	10	32,859,253	33.06	32,859,253	33.06
Tata Floating Rate Short Term Institutional Plan Daily Dividend	10	33,511,463	33.53	33,511,463	33.53
Deutsche Floating Rate Fund Regular Plan - Growth	10	-	-	63,458	0.07
DSP Merrill Lynch Floating Rate Fund Growth	10	-	-	15,258,179	18.04
Grindlays Floating Rate Fund Super Institutional Plan C STP Growth	10	-	-	34,103,396	39.79
HSBC Floating Rate Fund Short Term Institutional Option - Growth	10	-	-	6,135,268	6.77
Principal Floating Rate Fund SMP Institutional Option Growth Plan	10	4,508,485	5.00	30,918,255	34.74
Pru ICICI Floating Rate Plan C Growth	10	-	-	48,867,686	55.22
Reliance Floating Rate Fund Growth	10	19,323,334	22.50	-	-
Sundaram Floater ST Institutional Growth	10	-	-	13,410,629	15.43
Tata Floating Rate Short Term Institutional Plan Growth	10	-	-	9,590,566	11.07
UTI Floating Rate Fund Short Term Plan Growth	1,000	-	-	254,726	29.95
Birla Fixed Term Plan - Series H Growth	10	-	-	15,000,000	16.41
Birla Floating Rate Fund Long Term Growth	10	-	-	5,515,311	6.48
Birla Floating Rate Fund Short Term Growth	10	-	-	9,716,182	11.45
CAN Floating Rate Fund Short Term Growth Fund	10	24,848,162	27.00	-	-
CAN Floating Rate Fund Short Term Weekly Dividend	10	49,966	0.05	38,416,600	39.44
Deutsche Institutionala Cash Fund - Growth	10	-	-	2,677,567	3.21
Deutsche Short Maturity Fund - Growth Option	10	-	-	7,203,256	8.76
DSPML Floating Rate Institutional Growth	1,000	-	-	44,993	4.80
Franklin Templeton Fixed Tenure Fund Series V	10	-	-	15,000,000	16.38
Grindlays Fixed Maturity - 22nd Plan - Growth	10	-	-	14,000,000	15.40
Grindlays Floating Rate Fund - ST Institutional Plan B	10	-	-	6,538,158	7.72
HDFC Floating Rate Fund - ST - Growth	10	-	-	3,633,784	4.37
HDFC FMP 13 Month March 2006 Growth	10	-	-	25,000,000	27.28
HSBC Fixed Time Series IV Growth	10	-	-	10,000,000	10.88
ING Vysya Floating Rate Fund Growth	10	-	-	7,088,935	7.80
Kotak Cash Plus Growth	10	-	-	12,541,362	14.04
Kotak Flexi Debt Scheme- Growth	10	21,124,746	24.86	3,816,830	4.47
Kotak Floater Short Term Growth	10	-	-	2,192,326	2.59
Kotak FMP Series 13 - Growth	10	-	-	15,000,000	16.37
Kotak FMP Series XIV - Growth	10	-	-	15,000,000	16.27
LIC MF Liquid Dividend Plan	10	37,904,696	41.62	37,904,696	41.62
Principal Cash Management Fund Liquid Option Institutional Premium Plan - Daily Dividend Reinvest	10	146,383,379	146.39	146,383,379	146.39
Principal Income Fund Short Term Institutional Plan Growth	10	-	-	7,094,205	8.83
Pru ICICI FMP Plan -Institutional Cumulative 28	10	-	-	5,000,000	5.44
Prudential ICICI Floating Rate Fund-Plan B Short Term -Growth	10	-	-	3,690,432	4.45
Prudential ICICI Institutional FMP - 15 Monthly Plan Series XXV	10	-	-	12,594,106	14.63
Prudential ICICI Institutional Liquid Plan -Super Institutional Daily Dividend	10	134,971,010	134.97	135,902,924	135.90
Standard Chartered Liquidity Manager Plus Daily Dividend	1,000	602,931	60.30	605,805	60.59
Standard Chartered Fixed Maturity -2 Plan Growth	10	-	-	5,000,000	5.45

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Schedule forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Particulars	Face Value	Purchased During the Year		Sale/ Redemption Proceeds During the Year	
		Units	Amount	Units	Amount
Tata Fixed Horizon Fund Series 1 - Plan C (371 Days) - Growth	10	-	-	15,000,000	15.92
Tata Fixed Horizon Fund Series 2	10	-	-	15,000,000	16.06
Tata Fixed Horizon Fund Series 3 Plan C (13 Months) Growth	10	-	-	10,000,000	10.86
Tata Liquidity Management Fund Daily Dividend	1,000	409,399	41.03	409,399	41.03
Templeton Floating Rate Fund - ST - Growth	10	-	-	4,686,413	6.08
Templeton Floating Rate Fund - ST - Growth Institutional	10	-	-	8,485,121	9.06
Templeton India TMA -Institutional Plan-Daily Dividend	1,000	65,029	6.50	65,029	6.50
UTI Liquid Cash Plan Regular Daily Income Option	1,000	2,488	0.25	2,488	0.25
HDFC Cash Management Fund Savings Plan Growth	10	28,640,165	45.00	-	-
Templeton India TMA -Super Institutional Plan -Growth	1,000	80,726	9.00	-	-
Chola Liquid Institutional Daily Dividend Reinvestment Plan	10	12,973,679	13.01	12,973,679	13.01
DSP Merrill Lynch Liquid Plus Institutional Plan Daily Dividend	1,000	643,625	64.38	543,468	54.36
Fidelity Cash Fund -Super Institutional-Daily Dividend	10	20,040,084	20.04	20,040,084	20.04
Grindlays Floating Rate Fund -LT-Institutional Plan B -Daily Dividend	10	16,048,469	16.05	16,048,469	16.05
HDFC Cash Management Fund - Call Plan Daily Dividend Reinvestment	10	24,047,599	25.07	24,047,599	25.07
HDFC Cash Management Fund - Savings Plan Daily Dividend Reinvestment	10	37,960,107	40.38	37,960,107	40.38
HDFC Liquid Fund Premium Plus Plan -Dividend	10	39,558,376	49.13	39,558,376	49.15
HSBC Liquid Plus Institutional Plus Daily Dividend	10	21,531,191	21.53	21,531,191	21.53
ING Vysya Liquid Fund Super Institutional - DD	10	10,011,860	10.02	10,011,860	10.02
Lotus India Liquid Fund-Institutional Plus-DD	10	18,037,522	18.04	18,037,522	18.04
Lotus India Liquid Plus Fund-Institutional- DD	10	5,007,209	5.02	5,007,209	5.02
Tata Floater Fund - Daily Dividend	10	3,494,021	3.51	3,494,021	3.51
Templeton India TMA Super -IP-DD	1,000	200,020	20.01	200,020	20.01
Templeton India Treasury Management Account Super Institutional Plan-Daily Dividend Reinvestment	1,000	270,946	27.10	270,946	27.10
UTI Liquid Plus Fund Institutional Plan Daily Dividend -Option	1,000	501,221	50.12	501,221	50.12
ICICI Prudential Institutional Liquid Plan -Super Institutional Growth	10	92,188,404	101.06	-	-
ABN Amro Money Plus Institutional Growth	10	14,719,243	16.43	-	-
DSP Merrill Lynch Liquid Plus Institutional Plan Growth	1,000	564,141	57.36	-	-
DSP ML Strategic Bond Fund-Growth Institutional	1,000	150,000	15.00	-	-
Fidelity Cash Fund -Super Institutional-Growth	10	14,470,105	15.00	-	-
Fidelity Short Term Income Institutional -Growth	10	9,990,010	10.00	9,990,010	10.16
ING Vysya Liquid Plus Fund- Institutional Growth	10	9,910,508	10.00	-	-
Kotak Liquid Institutional premium - Growth	10	14,259,183	20.50	-	-
LIC MF Liquid Fund Growth Plan	10	15,142,911	20.00	15,142,911	20.18
Reliance Liquid Plus Fund -Institutional Option -Growth Plan	1,000	737,957	75.00	-	-
Reliance Liquidity Fund -Growth Option	10	28,795,623	32.00	-	-
SBI Magnum Institutional Cash Fund - cash Option	10	13,634,263	23.00	-	-
Tata Floater Fund - Growth	10	26,908,504	30.01	-	-
Templeton India Short Term Income Plan Institutional Growth	1,000	225,454	24.00	225,454	24.43
UTI Bond Fund Growth	10	1,419,964	3.00	1,419,964	3.06
Kotak FMP Series 26 - Growth	10	15,000,000	15.00	-	-
DFC FMP 13 M July 2006(1)-Institutional Plan Growth	10	15,000,000	15.00	-	-
ICICI Prudential FMP Series 30 -13 Month Plan-Institutional Growth	10	10,000,000	10.00	-	-
DWS Fixed Term Fund - Series 14- Growth Plan	10	25,377,280	25.38	-	-
SBI Debt Fund Series -15 Months (July 06) -Growth	10	10,000,000	10.00	-	-
Tata Fixed Horizon Fund Series 6 Scheme A Growth	10	15,000,000	15.00	-	-
DWS Fixed Term Fund - Series 16 -Institutional Plan	10	10,000,000	10.00	-	-
ABN AMRO FTP Series 3 Yearly Plan Growth	10	10,000,000	10.00	-	-
UTI Fixed Maturity Plan- YFMP (0806) Growth Plan	10	15,000,000	15.00	-	-
HSBC Fixed Time Series 14 -Growth	10	10,000,000	10.00	-	-
ICICI Prudential Hybrid FMP 13 Months-Institutional-Growth	10	25,000,000	25.00	-	-

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Schedule forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

Particulars	Face Value	Purchased During the Year		Sale/ Redemption Proceeds During the Year	
		Units	Amount	Units	Amount
Reliance Fixed Horizon Fund 1-Institutional Plan- Annual Plan 1 Series 1-Institutional Growth Plan	10	10,000,000	10.00	-	-
DWS Fixed Term Fund - Series 15 Growth Plan	10	10,000,000	10.00	-	-
HSBC Fixed Time Series15 Institutional Growth	10	15,000,000	15.00	-	-
Kotak FMP 15 M Series 1 - Growth	10	5,000,000	5.00	-	-
Standard Chartered Fixed Maturity Plan -Yearly Series 1	10	5,000,000	5.00	-	-
LIC MF Fixed Maturity Plan Series 15-13 Month Growth Plan	10	15,000,000	15.00	-	-
Reliance Fixed Horizon Fund Annual Plan Series III-Institutional Growth Plan	10	15,000,000	15.00	-	-
Principal Fixed Maturity Plan (FMP-31)-Series III	10	15,000,000	15.00	-	-
ABN AMRO FTP Series 4 -17 Month Institutional Growth	10	10,000,000	10.00	-	-
HDFC FMP 16 M December 2006 (2)-Wholesale Plan Growth	10	10,000,000	10.00	-	-
Birla FTP - Series O- Growth	10	15,000,000	15.00	-	-
Standard Chartered Fixed Maturity 10th plan Growth	10	10,000,000	10.00	-	-
Principal Pnb Fixed Maturity Plan (FMP-33) 540 Days Plan Series1 JAN07	10	10,000,000	10.00	-	-
HSBC Fixed Term Series 22-Inst. Growth	10	5,000,000	5.00	-	-
Total (A)			2,965.01		2,951.64

Particulars	Face Value	Purchased During the Year		Sale/ Redemption Proceeds During the Year	
		Units	Amount	Units	Amount
RFC 7.8% Tax Free Bonds	1,000,000	-	-	100	10.00
Total (B)			-		10.00
Total (A)+(B)			2,965.01		2,961.64

* These units have been pledged in favour of HSBC Banking Corporation Limited in consideration of financial arrangements, however no facility has been availed as on date.

16. Auditors' Remuneration *

	Year ended 30 June 2007	Year ended 30 June 2006
Statutory audit	1.32	1.32
Tax audit fees	0.21	0.21
Other Services	-	0.15
	1.53	1.68

* excluding service tax

17. CIF value of Imports

	Year ended 30 June 2007	Year ended 30 June 2006
Capital goods	50.84	64.88
	50.84	64.88

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Schedule forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts

18. Expenditure in Foreign Currency

	Year ended 30 June 2007	Year ended 30 June 2006
Software development charges	554.71	449.04
Interest	8.34	9.31
Travel (on cash basis)	224.40	185.20
Rates and taxes	30.10	18.03
Software License Fee	4.27	7.07
Communication Cost	16.37	22.99
Professional fees	4.12	6.97
Personnel Expenses	36.95	40.37
Insurance	2.60	-
Others	31.72	19.02
	913.58	**758.00**

19. Earnings in Foreign Currency

	Year ended 30 June 2007	Year ended 30 June 2006
Income from IT and Business Process Outsourcing Services	3,726.05	2,994.20
Interest Income	0.04	0.07
	3,726.09	**2,994.27**

Expenditure reimbursed by the customers in foreign currency has been netted off against the related expenses in the Profit and Loss Account and amounts to Rs. 90.79 crores (previous year Rs. 83.75 crores).

20. Dividend Remitted in Foreign Currency

	Year ended 30 June 2007	Year ended 30 June 2006
Final dividend		
Number of non-resident shareholders	77	94
Number of shares held	61,483,941	61,516,558
Amount remitted (net of tax)	24.59	24.61
Year to which it relates	2005-06	2004-05
1st Interim dividend		
Number of non-resident shareholders	81	90
Number of shares held	61,492,423	61,457,565
Amount remitted (net of tax)	24.60	24.58
Year to which it relates	2006-07	2005-06
2nd Interim dividend		
Number of non-resident shareholders	76	92
Number of shares held	61,476,173	61,489,428
Amount remitted (net of tax)	24.59	24.60
Year to which it relates	2006-07	2005-06
3rd Interim dividend		
Number of non-resident shareholders	107	90
Number of shares held	123,115,346	61,497,727
Amount remitted (net of tax)	24.62	24.60
Year to which it relates	2006-07	2005-06

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Schedule forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

21. Managerial remuneration

a) Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to non whole time directors:

	Year ended 30 June 2007	Year ended 30 June 2006
Profit before Tax as per Profit and Loss Account		1,177.69
Add:		
Depreciation as per books of accounts	178.21	
Provision for doubtful debts/ advances	3.52	
Book loss on sale of Investments	-	
Donations	0.04	181.77
Less:		
Depreciation under section 350 of the Companies Act, 1956	178.21	
Book profit on sale of fixed assets credited to Profit and Loss Account	0.27	
Provision for diminution in value of Investments written back	0.01	
Profit on sale of Investments	75.75	254.24
Profit as per section 349		1,105.22
Add:		
Director's remuneration		0.75
Profit as per section 198		1,105.97
Commission payable to non whole-time directors:		
Maximum commission under Section 309 of the Companies Act, 1956 @ 1%		11.06
Commission approved by the board		0.75

b) Managerial remuneration comprises

	Year ended 30 June 2007	Year ended 30 June 2006
Salaries and allowances	-	1.44
Perquisites	-	0.02
Contribution to provident fund	-	0.05
Sitting fees	0.08	0.09
Commission to non-executive directors	0.75	0.48
	0.83	2.08

The wholly owned subsidiaries have made the following payments to a director of the Company:

	Year ended 30 June 2007	Year ended 30 June 2006
Remuneration paid to executive director	1.39	1.46
	1.39	1.46

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Schedule forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 17: Significant Accounting Policies and Notes to the Accounts (Contd.)

22. **Earnings per equity share (EPS)**

At the board meeting held on 14 December 2006 the board of directors recommended the issue of bonus shares in the ratio of one share for every share held. This was approved by shareholder on 12 February 2007 through postal ballot. The record date for the bonus issue was 16 March 2007 and shares were allotted on 17 March 2007. All basic and diluted shares used in determining earnings per share are after considering the effect of bonus issue.

	Year ended 30 June 2007	Year ended 30 June 2006
Net profit as per Profit and Loss Account for computation of EPS	1,101.82	638.38
Weighted average number of shares outstanding in computation of basic EPS	652,626,782	642,788,960*
Dilutive effect of stock options outstanding	24,760,964	41,522,754*
Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS	677,387,746	684,311,714*
Nominal value of equity shares (in Rs.)	2	2
Earnings per equity share (in Rs.)		
Basic	16.88	9.93
Diluted	16.27	9.33

* Adjustment for issue of bonus shares.

23. The Company has a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company appoints independent consultants for conducting a Transfer Pricing Study to determine whether the transactions with associate enterprises are undertaken, during the financial year, on an "arms length basis". Adjustments, if any, arising from the transfer pricing study in the respective jurisdictions shall be accounted for as and when the study is completed for the current financial year. However the management is of the opinion that its international transactions are at arms' length so that the aforesaid legislation will not have any impact on the financial statements.

24. The Company is in the process of identifying the Micro, Small and Medium Enterprises, as defined under "The Micro, Small and Medium Enterprises Development Act, 2006". However based on the information so far available with the Company, the liability for delay in payments, if any, is not likely to be significant.

25. Previous year's figures include those relating to the merged companies for the fifteen months period 01 April 2005 to 30 June 2006 and therefore, the figures of the previous year of Profit and Loss Account and schedules relating to the same are not comparable with those of the current year.

26. The previous year's figures have been re-classified/re-grouped to conform to current year's classification.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP),India
Date: 13 August 2007

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BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(All amounts in crores of rupees except share data and unless otherwise stated)

I. Registration details

Registration No.	55-46369	State Code 55
Balance Sheet Date	30 June 2007	

II. Capital raised during the year

Public issue Nil	Rights issue Nil
Bonus issue 650,908	Private Placement 2,649,845

Note: Capital raised during the year includes share application money.

III. Position of mobilization and deployment of funds

Total liabilities 34,659,113	Total assets 34,659,113

Sources of funds

Paid-up capital 1,327,366*	Reserves and surplus 32,922,782
Secured loans 407,722	Unsecured loans 1,243

* Includes Rs. Nil thousands in respect of share application money.

Application of funds

Net fixed assets 8,829,467**	Investments 19,888,600
Net current assets 5,642,623	Misc. Expenditure Nil
Accumulated losses Nil	Deferred tax 298,423

** Includes Rs. 2,128,554 thousands in respect of capital work-in-progress.

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IV. Performance of company

Turnover 42,080,440	Total expenditure 30,303,541
Profit before tax 11,776,900	Profit after tax 11,018,159
Earnings per share (in Rs.) 16.88 (Basic) 16.27 (Diluted)	Dividend rate % 400%#

Adjusted for bonus shares in the ratio of 1:1 allotted on 17 March 2007.

V. Generic names of Principal Products/Services of Company (as per monetary terms)

Product description: Item code (ITC code):	Software 852490

For **HCL Technologies Limited**

Shiv Nadar Chairman and CEO	**T S R Subramanian** Director
Anil Chanana Executive Vice President - Finance	**Manish Anand** Deputy Company Secretary

Place: Noida (UP),India
Date: 13 August 2007

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Consolidated Statements

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REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF HCL TECHNOLOGIES LIMITED

1. We have audited the attached consolidated Balance Sheet of HCL Technologies Limited ("the Company"), as at June 30, 2007, the consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain consolidated entities whose financial statements reflect total assets of Rs. 105.31 crores, as at June 30, 2007 and total revenues of Rs. 128.22 crores for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these consolidated entities, is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and AS 27, Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its consolidated entities included in the consolidated financial statements.

5. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of the Company and its consolidated entities, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

 (i) in the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Company and its consolidated entities as at June 30, 2007;

 (ii) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its consolidated entities for the year ended on that date; and

 (iii) in the case of the consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its consolidated entities for the year ended on that date.

Kaushik Dutta
Partner
Membership No. F- 88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place : Gurgaon
Date : August 13, 2007

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Consolidated Balance Sheet As At 30 June 2007

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	As at 30 June 2007	As at 30 June 2006
Sources of Funds			
Shareholders' funds			
Share capital	1	132.74	64.69
Share application money pending allotment		-	1.33
Reserves and surplus	2	3,934.49	3,037.62
		4,067.23	3,103.64
Minority interest		16.59	11.11
Loan funds			
Secured loans	3	76.74	58.87
Unsecured loans	4	0.12	0.21
		76.86	59.08
		4,160.68	**3,173.83**
Application of Funds			
Fixed assets	5		
Gross block		1,984.80	1,618.41
Less : Accumulated depreciation		(1,084.12)	(849.84)
Net block		900.68	768.57
Capital work-in-progress (including capital advances)		218.39	182.81
		1,119.07	951.38
Investments	6	1,553.73	1,524.85
Deferred tax asset (net)	19(4)	85.52	46.54
Current assets, loans and advances			
Inventories	7	37.31	23.33
Sundry debtors	8	1,101.10	870.83
Cash and bank balances	9	660.67	312.53
Loans and advances	10	345.91	260.04
Other current assets	11	417.69	106.95
		2,562.68	1,573.68
Less: Current liabilities and provisions	12	(1,160.32)	(922.62)
Net current assets		1,402.36	651.06
		4,160.68	**3,173.83**

Significant accounting policies and notes to the accounts 19

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.

This is the Consolidated Balance Sheet referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership no.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Gurgaon, India
Date: 13 August 2007

Place: Noida (UP), India
Date: 13 August 2007

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Consolidated Profit and Loss Account for the year ended 30 June 2007

(All amounts in crores of rupees except share data and unless otherwise stated)

	Schedule	Year ended 30 June 2007	Year ended 30 June 2006
Income			
Sales	13	6,068.74	4,571.58
Other income	14	455.85	109.29
		6,524.59	**4,680.87**
Expenditure			
Cost of goods sold	15	190.70	126.53
Cost of services	16	3,166.76	2,368.19
Administration and other expenses	17	1,477.29	1,165.60
Finance costs	18	8.03	8.13
Depreciation and amortisation	5	253.86	203.05
		5,096.64	**3,871.50**
Profit before tax and minority interest		**1,427.95**	**809.37**
Tax Expense - current		(127.11)	(48.47)
- deferred (net)		38.98	6.82
- fringe benefit		(15.95)	(14.24)
Profit before minority interests		**1,323.87**	**753.48**
Adjustment under the scheme of amalgamation of companies [refer note 19 of Schedule 19]		-	61.06
		1,323.87	692.42
Share of minority shareholders		(5.56)	(1.75)
Net Profit		1,318.31	690.67
Balance in profit and loss account brought forward		1,493.00	1,454.65
Profit available for appropriation		**2,811.31**	**2,145.32**
Appropriations			
Proposed final dividend [including Rs. 0.45 crores (previous year Rs. 0.66 crores) paid for previous year]		133.19	130.04
Corporate dividend tax on proposed final dividend [including Rs. 0.06 crores (previous year Rs. 0.09 crores) paid for previous year]		22.62	18.24
Interim dividend		392.40	386.06
Corporate dividend tax on interim dividend		58.98	54.14
Transfer to general reserve		110.18	63.84
Balance profit and loss account carried forward to the Balance Sheet		2,093.94	1,493.00
		2,811.31	**2,145.32**
Earnings per equity share (in Rupees)			
Basic		20.20	10.74
Diluted		19.46	10.09
Weighted average number of equity shares used in computing earnings per equity share	19(10)		
Basic		652,626,782	642,788,960
Diluted		677,387,746	684,311,714

Significant accounting policies and notes to the accounts **19**

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

This is the Consolidated Profit and Loss Account referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership no.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Gurgaon, India
Date: 13 August 2007

Shiv Nadar
Chairman and CEO

Anil Chanana
Executive Vice President - Finance

Place: Noida (UP), India
Date: 13 August 2007

T S R Subramanian
Director

Manish Anand
Deputy Company Secretary

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Consolidated Cash flow statement for the year ended 30 June 2007

(All amounts in crores of Rupees except share data and unless otherwise stated)

	Year ended 30 June 2007	Year ended 30 June 2006
Cash Flows from Operating Activities		
Profit before tax	1,427.95	809.37
Adjusted for:		
Income from investments and interest	(22.56)	(11.80)
(Profit)/ loss on sale of investments (net)	(78.49)	(82.44)
Depreciation and amortization	253.86	203.05
Finance charge	1.42	2.26
(Profit)/ loss on sale of fixed assets	(0.34)	(1.50)
Amortisation of Stock Compensation	125.99	48.39
Other Non Cash Charges	12.34	7.59
Taxes paid	(52.33)	(46.14)
Decrease/ (increase) in sundry debtors	(299.96)	(269.62)
Decrease/ (increase) in sundry inventories	(14.18)	15.64
Decrease/ (increase) in loans and advances	(355.79)	(67.18)
Decrease/ (increase) in other assets	(33.63)	(63.26)
Increase/ (decrease) in current liabilities and provisions	115.55	209.50
Net cash from (used for) operating activities	**1,079.83**	**753.86**
Cash Flows from Investing Activities		
Investment in mutual funds and others (net)	39.61	258.58
Proceeds from sale of bonds (net)	10.00	10.50
(Loan)/ repayment by Employees Stock Option Trust	-	0.03
Proceeds from sale of investments in Venture Capital Funds	-	88.65
Purchase of fixed assets (including capital advances)	(389.66)	(410.60)
Proceeds from sale of fixed assets	2.11	3.96
Income from investments and interest	15.66	12.47
Taxes paid	(9.17)	(2.04)
Principal payment for capital lease obligations	(9.34)	(6.21)
Net cash from (used for) investing activities	**(340.79)**	**(44.66)**
Cash Flows from Financing Activities		
Proceeds/ (repayment) of short-term loans	3.14	7.15
Interest on term loans	(0.58)	(3.24)
Repayment of long-term loans	(12.73)	(133.96)
Issue of share capital (including share premium and share application money pending allotment)	227.19	88.37
Dividend paid to minority shareholders of consolidated subsidiaries	-	(2.41)
Dividends paid (including corporate dividend tax)	(599.23)	(586.56)
Cash Flows from (used for) financing activities	**(382.21)**	**(630.65)**
Effect of exchange rates on cash and cash equivalents held in foreign currency	(8.69)	2.63
Net increase/ (decrease) in cash and cash equivalents	356.83	78.55
Cash and cash equivalents at the beginning of the year	312.53	231.35
Cash and cash equivalents at the end of the year	**660.67**	**312.53**

For components of cash and cash equivalents refer schedule-9 of the Balance Sheet

Notes:

1. The above Cash Flow Statement has been prepared under the indirect method set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
2. Cash and cash equivalents includes the following, which are not available for use by the Company:

Investor Education and Protection Fund-Unclaimed dividend	1.53
Bank Guarantees Margin	1.09

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Consolidated Cash flow statement for the year ended 30 June 2007 (Contd.)

(All amounts in crores of Rupees except share data and unless otherwise stated)

3. Figures in brackets indicate cash outflow.
4. Previous year figures have been regrouped and recast wherever necessary to conform to the current period classification.

This is the Consolidated Cash Flow Statement referred to in our report of even date.

For **HCL Technologies Limited**

Kaushik Dutta
Partner
Membership no.: F-88540
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Gurgaon, India
Date: 13 August 2007

Shiv Nadar
Chairman and CEO

Anil Chanana
Executive Vice President - Finance

Place: Noida (UP), India
Date: 13 August 2007

T S R Subramanian
Director

Manish Anand
Deputy Company Secretary

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 1: Share Capital	As at 30 June 2007	As at 30 June 2006
Authorised		
750,000,000 (previous year 627,250,000) equity shares of Rs. 2 each	150.00	125.45
Issued, Subscribed and Paid up		
663,683,116 (previous year 323,442,350) equity shares of Rs. 2 each, fully paid up (refer note 5 of schedule 19)	132.74	64.69
	132.74	64.69

Notes:

1. Paid up share capital includes:
 - 84,899,958 (previous year 42,449,979) equity shares of Rs. 2 each alloted as fully paid up, pursuant to contracts for consideration other than cash.
 - 82,986,872 (previous year 82,986,872) equity shares of Rs. 2 each issued as bonus shares in ratio of one share for every two held by capitalisation of general reserve and 325,453,918 (previous year Nil) equity shares of Rs. 2 each issued as bonus shares by capitalisation of securities premium account.
 - 39,130,762 (previous year 16,392,641) equity shares of Rs. 2 each alloted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 1999 of the Company.
 - 15,241,280 (previous year 3,239,104) equity shares of Rs. 2 each alloted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2000 of the Company.
 - 1,687,976 (previous year Nil) equity shares of Rs. 2 each allotted to employees of the Company and its subsidiaries on exercising of vested stock options issued under Employee Stock Option Plan 2004 of the Company.
2. HCL Corporation Limited, which ceased to be the Holding Company w.e.f. 27 March 2007, held 326,015,674 (previous year 161,507,837) equity shares on the date of the Balance Sheet and HCL Peripherals Limited, which ceased to be a fellow subsidiary from same date held Nil (previous year 1,500,000) equity shares on the same date.

Schedule 2: Reserves and Surplus	As at 1 July 2006	Additions	Deductions	As at 30 June 2007
Securities Premium Account	971.16	263.36	65.09	1,169.43
	(1,701.28)	(89.56)	(819.68)	(971.16)
Foreign Currency Translation Reserve	(1.28)	-	100.72	(102.00)
	(-50.60)	(49.32)	-	(-1.28)
General Reserve	523.86	110.18	-	634.04
	(269.11)	(276.82)	(22.07)	(523.86)
Employee Stock Options Outstanding [net of deferred employee compensation cost of Rs. 242.76 crores (previous year Rs. 191.17 crores)]	50.88	125.99	37.79	139.08
	(2.49)	(48.39)	(-)	(50.88)
Profit and Loss Account	1,493.00	711.12	110.18	2,093.94
	(1,454.65)	(102.19)	(63.84)	(1,493.00)
	3,037.62	1,210.65	313.78	3,934.49
Previous year	(3,376.93)	(566.28)	(905.59)	(3,037.62)

Notes:

1. Addition to/ Deduction from the Securities Premium Account represent:
 a) Addition of Rs. 225.57crores (previous year Rs. 87.83 crores) in respect of allotment of equity shares of Rs. 2 each to employees of the Company and its subsidiaries under the Employee Stock Option Plan 1999, Employee Stock Option Plan 2000 and Employee Stock Option Plan 2004.
 b) Addition of Rs. 37.79 crores (previous year Rs. Nil) being amount transferred from Employee stock options outstanding on exercise of stock options.
 c) Deduction of Rs. 65.09 crores (previous year Rs. Nil) being adjustment on account of capitalisation for issue of bonus shares in the ratio of 1:1.
 d) Deduction of Rs. Nil (previous year Rs. 819.68 crores), being adjustment on amalgamation of the transferor companies with the Company. (refer note 2 of Schedule 19)

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

2. Deductions from General Reserve includes Rs. Nil (previous year Rs. 22.07 crores) on account of net gain/ (loss) on effective hedges (refer note 1 (e) of schedule 19).
3. Additions include addition in securities premium account Rs. Nil (previous year Rs. 1.73 crores) and in general reserves Rs. Nil (previous year Rs. 212.98 crores) on account of amalgamation (refer note 2 of Schedule 19).
4. The Profit and Loss Account includes profit/ (loss) of HCL Answerthink Inc. Rs. Nil (previous year Rs. (1.51) crores) and NEC HCL System Technologies Limited Rs. (0.99) crores (previous year Rs. (0.35) crores) these being the Company's share of profit/ (loss) of jointly controlled entities.
5. Previous year figures are in brackets.

Schedule 3: Secured Loans	As at 30 June 2007	As at 30 June 2006
From Bank		
Short Term Loan	28.14	25.00
From Others		
Term Loan	7.23	19.96
Finance Lease Obligations		
Leased Vehicles (refer note 8 (i) of schedule 19) (Secured by hypothecation of leased vehicles)	18.85	13.91
Land & Buildings (refer note 8 (v) of schedule 19)	22.52	-
	76.74	58.87

Note:

Term Loans and Short Term Loans represent loans taken by the subsidiaries of the Company of Rs. 35.37 crores (previous year Rs. 44.96 crores) secured by hypothecation/ other form of charge on investments, current assets, stocks, book debts and other receivables, moveable properties and plant and machinery of the respective subsidiaries.

Schedule 4: Unsecured Loans	As at 30 June 2007	As at 30 June 2006
Other Loans and Advances		
From financial institution [Amount payable within one year is Rs. 0.07 crores (previous year Rs. 0.09 crores)]	0.12	0.21
	0.12	0.21

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 5: Fixed Assets

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION/ AMORTISATION				NETBLOCK	
	As at 1 July 2006	Additions/ Adjust-ments	Deletions	As at 30 June 2007	As at 1 July 2006	Additions/ Adjust-ments	Deletions	As at 30 June 2007	As at 30 June 2007	As at 30 June 2006
Goodwill	188.27	(5.92)	-	182.35	120.14	1.67	-	121.81	60.54	68.13
Intellectual property rights	1.62	-	-	1.62	1.62	-	-	1.62	-	-
Non-compete agreements	0.56	-	-	0.56	0.37	-	-	0.37	0.19	0.19
Freehold land (refer note 4)	53.66	22.52	-	76.18	-	-	-	-	76.18	53.66
Leasehold land	109.09	7.92	-	117.01	2.75	1.32	-	4.07	112.94	106.33
Buildings (refer note 4)	143.95	24.23	-	168.18	22.62	8.09	-	30.71	137.47	121.33
Plant and machinery - Owned	211.73	87.70	0.95	298.48	139.13	44.38	0.91	182.60	115.88	72.60
- Leased	0.01	-	-	0.01	0.01	-	-	0.01	-	-
Computers - Owned	457.30	109.90	0.77	566.43	282.45	97.70	0.62	379.53	186.90	174.85
- Leased	0.02	-	-	0.02	0.01	-	-	0.01	0.01	0.01
Software	161.31	47.67	0.76	208.22	118.02	29.19	0.76	146.45	61.77	43.29
Furniture and fixtures	263.93	65.95	0.19	329.69	151.16	50.69	0.14	201.71	127.98	112.77
Vehicles - Owned	4.84	1.19	0.55	5.48	3.70	0.69	0.39	4.00	1.48	1.14
- Leased (refer note 8(i) of schedule 19)	22.12	12.98	4.53	30.57	7.86	6.24	2.87	11.23	19.34	14.26
	1,618.41	**374.14**	**7.75**	**1,984.80**	**849.84**	**239.97**	**5.69**	**1,084.12**	**900.68**	**768.57**
Previous Year	1,933.50	353.99	669.08*	1,618.41	697.20	216.93	64.29**	849.84	768.57	1,236.30
Capital Work-in-progress (including capital advances)									218.39	182.81

* Includes Rs. 658.37 crores on account of amalgamation. (refer note 2 of schedule 19)

** Includes Rs. 56.05 crores on account of amalgamation. (refer note 2 of Schedule 19)

Notes:

1. Gross block of plant and machinery includes Rs. 1.61 crores (previous year Rs. 3.19 crores) in respect of assets given on operating leases. The accumulated depreciation on these assets upto 30 June 2007 and the depreciation for the year ended on that date amounted to Rs. 1.10 crores (previous year Rs. 2.73 crores) and Rs. 0.18 crores (previous year Rs. 0.49 crores) respectively.
2. Additions to fixed assets and accumulated depreciation include Rs. 0.53 crores (previous year Rs. 0.66 crores) and Rs. 0.31 crores (previous year Rs. 0.05 crores) respectively in respect of the Company's share of fixed assets on account of proportionate consolidation of joint ventures.
3. Additions/ adjustments to fixed assets and current year depreciation and amortization include Rs. (24.37) crores (previous year Rs. 31.90 crores) and Rs. (13.89) crores (previous year Rs.13.88 crores) respectively on account of translation of functional currency into reporting currency.
4. Additions to freehold land and building include Rs. 6.43 crores (previous year Rs. Nil) and Rs. 17.39 crores (previous year Rs. Nil) respectively acquired on finance lease. (refer note 8 (v) of schedule 19)

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 6: Investments	As at 30 June 2007	As at 30 June 2006
Long Term Investments		
Other than trade and unquoted		
Investments in mutual funds (refer note 1 & 6 below)	1,127.79	-
Investments in bonds	12.00	12.00
Others		
Harmony Software Inc., United States of America	9.21	9.21
Less: Provision for diminution in value	(9.21)	(9.21)
Total Long Term Investments (A)	1,139.79	12.00
Current Investments		
Other than trade and unquoted		
Investments in mutual funds (refer note 2 & 6 below)	413.52	1,502.60
Less: Provision for diminution in value	(0.01)	(0.01)
	413.51	1,502.59
Other than trade and quoted		
Investments in bonds (refer note 3 below)	-	10.00
Investment in 5,478 equity shares of Technology Solution Company Inc., United States of America (previous year 7,478 shares) (refer note 4 below)	0.17	0.26
Investment in 7,790 equity shares of American Commercial Lines Inc., United States of America (previous year Nil) (refer note 5 below)	0.26	-
Total Current Investments (B)	413.94	1,512.85
Grand Total (A) + (B)	1,553.73	1,524.85

Notes:

1. Net asset value of long term investments in mutual funds as on 30 June 2007 – Rs. 1,170.35 crores. (previous year Rs. Nil).
2. Net asset value of current investments in mutual funds as on 30 June 2007 – Rs. 450.61 crores. (previous year Rs. 1,555.23 crores).
3. Market value of current investments in bonds as on 30 June 2007 Rs. Nil crores. (previous year Rs. 10.11 crores)
4. During the previous year, Technology Solution Company Inc. ("TSC") carried out a reverse stock split under which one share was issued for each 20 shares and warrants held in the company. Accordingly, TSC issued 7,478 equity shares and equivalent warrants to purchase 4,613 equity shares of TSC. The warrants have expired unexercised. The market value of the investment in shares of TSC as on 30 June 2007 is Rs. 0.17 crores (previous year Rs. 0.32 crores)
5. In relation to a settlement agreement with a customer, American Commercial Lines Inc., the Company has received 883 equity shares and additional 6,907 equity shares due to splits from time to time till 30 June 2007. The Company holds 7,790 equity shares as of 30 June 2007. The market value of the investment in shares of American Commercial Lines Inc. as on 30 June 2007 is Rs. 0.83 crores (previous year Rs. Nil).
6. Long term investments in mutual funds amounting to Rs. 25 crores (previous year Rs. Nil) & current investments in mutual funds amounting to Rs. 40 crores (previous year Rs. Nil) have been pledged in favour of HSBC Banking Corporation Limited in consideration for financial arrangements, though no facility has been availed of upto the date of the Balance Sheet.

Schedule 7: Inventories	As at 30 June 2007	As at 30 June 2006
Networking equipment	31.83	15.00
Work-in-progress	2.58	1.76
Goods in transit	2.90	6.57
	37.31	23.33

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 8: Sundry Debtors	As at 30 June 2007	As at 30 June 2006
Unsecured - Considered good		
- Debts outstanding for more than six months	40.59	55.64
- Other debts	1,060.51	815.19
	1,101.10	870.83
Unsecured - Considered doubtful		
- Debts outstanding for more than six months	26.46	20.25
- Other debts	3.27	1.09
	29.73	21.34
Less: Provision for doubtful debts	(29.73)	(21.34)
	1,101.10	**870.83**

Schedule 9: Cash and Bank Balances	As at 30 June 2007	As at 30 June 2006
Cash in hand	0.23	0.21
Cheques in hand	5.15	8.98
Remittances in transit	72.12	82.81
Balances with scheduled banks		
- On current accounts in Indian rupees (refer note 1 below)	32.24	24.81
- On current accounts in foreign currency	10.14	7.00
- On fixed deposit accounts in Indian rupees (refer note 2 below)	275.15	12.13
Balance with non-scheduled banks (refer note 17 of schedule 19)		
- On Current account	175.91	113.12
- On Deposit accounts	89.73	63.47
	660.67	312.53

Notes:

1. Includes Rs. 1.53 crores (previous year Rs. 1.36 crores) in unclaimed dividend account.
2. Pledged with banks as security for guarantees and letters of credit- Rs. 1.09 crores (previous year Rs. 1.33 crores).

Schedule 10: Loans and Advances	As at 30 June 2007	As at 30 June 2006
(Unsecured and considered good, unless otherwise stated)		
Loans and advances recoverable in cash or in kind or for value to be received		
- Considered good (refer note 1 below)	303.69	250.61
- Considered doubtful	2.93	2.52
Interest receivable	8.61	1.14
MAT credit entitlement (refer note 1(o) of schedule 19)	33.61	-
Advance Income tax (refer note 2 below)	-	8.29
	348.84	**262.56**
Less: Provision for doubtful advances	(2.93)	(2.52)
	345.91	**260.04**

Notes:

1. Includes Rs. 0.02 crores (previous year Rs. 0.02 crores) on account of loan given to HCL Technologies Limited Employees Trust.
2. Net of provision for income tax of Rs. Nil (previous year Rs. 145.97 crores).

Schedule 11: Other Current Assets	As at 30 June 2007	As at 30 June 2006
Unbilled revenue	140.58	106.95
Unrealised gain on forward exchange contracts and options (net)	277.11	-
	417.69	**106.95**

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 12: Current Liabilities and Provisions	As at 30 June 2007	As at 30 June 2006
Current liabilities		
Sundry creditors	592.07	465.22
Unrealised loss on forward exchange contracts and options (net)	-	71.86
Advance from customers	8.28	3.76
Unearned revenue	97.32	80.50
Investor Education and Protection Fund-Unclaimed dividend	1.53	1.36
Interest accrued but not due on borrowings	1.25	0.40
Other liabilities	79.68	64.85
	780.13	**687.95**
Provisions		
Provision for income tax (refer note 1)	108.82	-
Provision for fringe benefit tax (refer note 2)	4.53	4.14
Provision for dividend (including corporate dividend tax)	155.30	147.52
Provision for warranty (refer note 16 of schedule 19)	1.58	3.04
Provision for staff benefits	109.96	79.97
	380.19	**234.67**
	1,160.32	**922.62**

Notes:

1. Net of advance income tax of Rs. 161.03 crores (previous year Rs. Nil)
2. Net of fringe benefit advance tax of Rs. 26.93 crores (previous year Rs. 9.24 crores).

Schedule 13: Sales	Year ended 30 June 2007	Year ended 30 June 2006
Goods		
- Networking equipment	219.86	143.86
- Software	4.67	10.87
Services		
- Information Technology (IT)	4,408.96	3,411.26
- Networking	631.37	350.25
- Business Process Outsourcing	803.88	655.34
	6,068.74	**4,571.58**

Schedule 14 : Other Income	Year ended 30 June 2007	Year ended 30 June 2006
Interest income		
[Tax deducted at source Rs. 0.13 crores (previous year Rs. 0.12 crores)]		
- On fixed deposits	9.41	1.68
- On investment (other than trade)	1.25	1.77
- Others	2.82	0.33
Profit on sale of investments-other than trade		
- Limited liability partnership (venture capital funds)	-	3.08
- Others	79.15	88.25
Dividend from investments-other than trade	9.08	5.58
Provision for liabilities not required written back	0.05	0.69
Profit on sale of fixed assets (net)	0.34	1.50
Exchange differences	346.48	-
Provision for diminution in value of investments written back	-	0.49
Miscellaneous income	7.27	5.92
	455.85	**109.29**

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 15: Cost of Goods Sold	Year ended 30 June 2007	Year ended 30 June 2006
Opening stock	15.00	34.73
Purchases	207.53	106.80
Closing stock	(31.83)	(15.00)
	190.70	**126.53**

Schedule 16: Cost of Services	Year ended 30 June 2007	Year ended 30 June 2006
Personnel expenses		
Salaries, wages and bonus	2,440.57	1,804.97
Contribution to provident fund and other retirement benefits	259.92	211.61
Staff welfare expenses	45.68	52.69
Employee stock compensation expense	125.99	48.39
	2,872.16	**2,117.66**
Others		
Software development expenses - external	274.14	231.12
License and transponder fee	20.46	19.41
	3,166.76	**2,368.19**

Schedule 17:Administration and Other Expenses	Year ended 30 June 2007	Year ended 30 June 2006
Rent	126.65	101.08
Power and fuel	77.00	57.77
Insurance	23.48	16.86
Repairs and maintenance		
- Plant and machinery	38.05	22.33
- Buildings	30.05	15.59
- Others	31.98	23.88
Communication costs	106.77	88.88
Travel and conveyance	612.42	417.22
Business promotion	22.24	19.96
Legal and professional charges	45.85	41.26
Software license fee	53.43	43.71
Software tools	16.92	8.97
Printing and stationery	16.56	13.38
Rates and taxes	37.13	26.67
Advertising and publicity	6.43	1.92
Postage and courier	4.12	3.40
Provision for doubtful advances/ advances written off	0.15	1.01
Donations	0.12	0.15
Dues and subscription	5.32	3.00
Recruitment, training and development	50.74	36.72
Provision for doubtful debts/ bad debts written off	12.19	7.27
Other establishment cost	-	2.26
Premium amortized on bonds	-	0.08
Loss on sale of investments-other than trade	0.66	9.28
Exchange differences	-	80.58
Miscellaneous expenses	159.03	122.37
	1,477.29	**1,165.60**

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 18: Finance costs	Year ended 30 June 2007	Year ended 30 June 2006
Interest		
- on assets under finance lease	3.03	1.62
- on loans from banks	1.02	2.26
- others	0.40	1.90
Bank charges	3.58	2.35
	8.03	8.13

Schedule 19: Significant Accounting Policies and Notes to the Accounts

1. Significant Accounting Policies

a) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956, to the extent applicable. The financial statements are prepared in crores of Indian rupees.

b) Principles of consolidation

These consolidated financial statements relate to HCL Technologies Limited, the Parent Company, its Subsidiaries, Joint Ventures and Associates, referred to in these financial statements as "the Company", which are as follows:

	Name of the Company	Location	Holding Percentage
Subsidiaries			
1.	HCL America Inc.	United States of America	100%
2.	HCL Great Britain Limited	United Kingdom	100%
3.	HCL (Netherlands) BV	Netherlands	100%
4.	HCL GmbH, Germany	Germany	100%
5.	HCL Belgium NV, Belgium	Belgium	100%
6.	HCL Sweden AB, Sweden	Sweden	100%
7.	HCL Italy SLR, Italy	Italy	100%
8.	HCL Australia Services Pty. Limited	Australia	100%
9.	HCL (New Zealand) Limited	New Zealand	100%
10.	HCL Hong Kong SAR Limited	Hong Kong	100%
11.	HCL Japan Limited, Japan	Japan	100%
12.	HCL Comnet Systems & Services Limited	India	99.88%
13.	HCL Comnet Limited	India	99.88%
14.	HCL Bermuda Limited	Bermuda	100%
15.	HCL Venture Capital Limited *	Bermuda	100%
16.	HCL Holdings GmbH	Austria	100%
17.	EServe Holdings Limited **	Mauritius	100%
18.	HCL Enterprise Solutions Limited	Mauritius	100%
19.	Intelicent India Limited	India	100%
20.	DSI Financial Solutions Pte. Limited	Singapore	100%
21.	HCL BPO Services (NI) Limited	United Kingdom	100%
22.	HCL Technologies (Mass.) Inc. ***	United States of America	100%
23.	HCL Jones Technologies LLC	United States of America	51%
24.	HCL Jones (Bermuda) Limited, Bermuda	Bermuda	51%
25.	HCL m.a. Limited ****	United Kingdom	51%
26.	Insys Inc, Canada *****	Canada	100%
27.	HCL Singapore Pte. Limited	Singapore	100%
28.	HCL (Malaysia) Sdn. Bhd., Malaysia	Malaysia	100%
29.	Infosystems Europe Limited, United Kingdom ******	United Kingdom	100%
30.	HCL EAI Services Inc., United States of America [Refer note 3(b) of schedule 19]	United States of America	58.09%
31.	Aalayance (UK) Limited	United Kingdom	58.09%
32.	HCL EAI Services Limited	India	58.09%
33.	HCL Technopark Limited	India	100%
34.	HCL Poland Sp.Z.o.o	Poland	100%

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Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Name of the Company		Location	Holding Percentage
Joint ventures			
1.	HCL Answerthink Inc. *******	United States of America	50%
2.	NEC HCL System Technologies Limited [Refer note 3(a) of schedule 19]	India	49%

* Merged with HCL Bermuda Limited, Bermuda w.e.f. 14 February 2007.

** Deregistered w.e.f. 14 February 2007.

*** Merged with HCL America Inc., United States of America w.e.f. 01 April 2007.

**** Deregistered w.e.f. 02 May 2007.

***** Deregistered w.e.f. 23 May 2007.

****** Deregistered w.e.f. 03 August 2006.

******* Deregistered w.e.f. 27 April 2007.

Subsidiary companies are those in which HCL Technologies Limited (HCL), directly or indirectly, has an interest of more than one half of the voting power or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Company until the date of cessation of the parent-subsidiary relationship.

All material inter company transactions, balances and unrealized surplus and deficit on transactions between group companies are eliminated. Consistency in adoption of accounting policies among all group companies is ensured to the extent practicable. Separate disclosures are made of minority interest.

Investment in business entities over which the Company exercises joint control is accounted for using proportionate consolidation except where the control is considered to be temporary. Investments in associates are accounted for using the equity method.

Minority interest in subsidiaries represents the minority shareholders' proportionate share of net assets and the net income of HCL's majority owned subsidiaries.

Goodwill has been recorded to the extent that the cost of acquisition, comprising purchase consideration and transaction costs, exceeds the book value of net assets in each acquired company. The goodwill arising on consolidation is not amortized but tested for impairment on a periodic basis.

c) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete performance under software development arrangements, income taxes, provision for warranty, retirement benefit plans, provision for doubtful debts and estimated useful life of the fixed assets. The actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

d) Foreign exchange transactions and translation of financial statements of foreign operations

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realized gains and losses on foreign exchange transactions during the year are recognized in the Profit and Loss Account. Foreign currency monetary assets and liabilities are translated at year-end rates and resultant gains/ losses on foreign exchange translations are recognized in the Profit and Loss Account.

Foreign operations of the Company are classified into integral and non-integral. The financial statements of an integral foreign operation are translated as follows:

Revenue items, except opening and closing inventories and depreciation, are translated at a monthly weighted average rate. Opening and closing inventories are translated at the rate prevalent at the commencement and close respectively of the accounting period.

Monetary assets and liabilities are translated using the closing rate. Non-monetary assets and liabilities, other than investments and fixed assets are translated using the exchange rate at the date of the transaction i.e. the date when they were acquired.

Fixed assets existing at the date of acquisition of a subsidiary are translated using the exchange rate at that date. For fixed assets acquired later, the exchange rate at the date of acquisition of the fixed asset is used. Investments are translated at historical cost. The net exchange difference resulting from the translation of items in the financial statements of the subsidiary is recognized as income or expense for the period.

In respect of foreign operations identified as non-integral to the operations of the Company, the translation of functional currency into reporting currency is performed for balance sheet accounts using the exchange rates in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted average exchange rate for the respective periods. The gain or loss resulting from such translations is accumulated in a foreign currency translation reserve.

Contingent liabilities are translated at the closing rate.

e) Forward exchange contracts and options

The Company purchases foreign forward exchange contracts and options to mitigate the risk of changes in foreign exchange rates associated with payables, receivables and forecasted transactions denominated in certain foreign currencies.

For forward contracts associated with forecast transactions, gains or losses arising due to change in fair value of the forward contract have been recognized in the Profit and Loss Account.

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Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

For forward contracts associated with underlying out standings at the Balance Sheet date, the exchange difference are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change. The premium or discount on such contracts arising at the inception are amortised as income or expense equitably over the life of the contract.

In case of currency options, changes in the fair value of options contracts are recognized in the Profit and Loss Account for the period.

f) Revenue recognition

i) IT Services

Revenue from IT services comprises income from time and material and fixed price contracts. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts and fixed time frame contracts is recognized in accordance with the percentage completion method under which the sales value of performance, including earnings thereon, is recognized on the basis of cost incurred in respect of each contract as a proportion of total cost expected to be incurred. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the year in which the change becomes known. Provisions for estimated losses are made during the year in which a loss becomes probable based on current estimates. Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Revenue from annual technical service contracts is recognised on a pro-rata basis over the period in which such services are rendered. Income from revenue sharing agreements is recognized when the right to receive is established. Costs and earnings in excess of billing are classified as unbilled revenue, while billing in excess of costs and earnings are classified as unearned income. Incremental revenue from existing contracts arising on future sales of the customers' products will be recognized when it is earned. Revenue and related direct costs from transition services in outsourcing arrangements are deferred and recognized over the period of the arrangement.

ii) Networking Services

Revenue from the sale of networking equipments and software is recognized on transfer of all the significant risks and rewards of ownership of goods to the buyer and excludes sales tax.

Revenue from installation services is recognized when installation of networking equipment at customer site is completed and accepted by the customer.

Revenue from bandwidth services is recognized upon actual usage of such services by customers based on either the time for which these service are provided or volume of data transferred or both and excludes service tax.

Revenue from maintenance services is recognized ratebly over the period of the contract.

Revenue from IT enabled services is derived from both time based and unit based and fixed price contracts. Revenue from unit and time based contracts is recognized as the related services are performed. Revenue from fixed price contracts is recognized in accordance with the percentage completion method.

Unearned income arising in respect of bandwidth services and maintenance services is calculated on the basis of unutilized period of service at the balance sheet date and represents revenue, which is expected to be earned in future periods in respect of these services.

iii) Business Process Outsourcing services

Revenue from business process outsourcing services is derived from both time based and unit-price contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contracts with the customer.

iv) Others

Interest on the deployment of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction. Dividend income, commission, brokerage and rent are recognized when the right to receive the same is established.

g) Expenditure

Expenses are accounted for on an accrual basis and provisions are made for all known losses and liabilities.

h) Inventory

Inventories are valued at the lower of cost and net realizable value. The cost is calculated on the basis of weighted average price method. The net realizable value is determined with reference to selling price of related finished goods. The comparison of cost and net realizable value is made on an item by item basis.

i) Fixed assets, Intangible assets and Capital work-in-progress

Fixed assets are stated at cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year-end, are disclosed as capital work-in-progress.

Intangible assets represent goodwill and identified amortizable intangible assets such as intellectual property rights and non-compete agreements, which arise or have been acquired through acquisitions. Values have been assigned to the identified intangibles based on the valuation done by independent valuers.

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Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

j) **Leases**

Assets given under finance lease are recognized as receivables at an amount equal to the net investment in the lease. The finance income is recognised based on periodic rate of return on the net investment of the lessor outstanding in respect of the finance lease.

Assets given under operating leases are shown in the balance sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The lease income is recognised in the profit and loss Account on a straight-line basis over the lease term.

Assets taken on finance lease are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and interest cost, so as to obtain a constant periodic rate of interest on outstanding liability for each period.

Lease payments under an operating lease are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

k) **Depreciation and amortization**

Depreciation on fixed assets except leasehold land and leasehold improvement is provided on the straight-line method over their estimated useful lives, as determined by the management, at the rate which are equal to or higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Leasehold land is amortized over the period of lease. Leasehold improvements are amortized over a period of 4 years or the remaining period of the lease, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased/ sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

Intangible assets are amortized over their respective individual estimated useful life on a straight-line basis.

The management's estimates of the useful life of the various fixed assets/ intangibles are as follows:

	Life (in years)
Fixed Assets	
Buildings	20
Plant and machinery (including office equipment, air conditioners and electrical installations)	4 to 5
Computers	3 to 4
Furniture and fixtures	4
Vehicles – owned	5
Vehicles – leased	Over the period of lease or 5 years, which ever is lower
Intangibles	
Software	3
Goodwill (arising other than on consolidation)	5
Intellectual Property Rights	4
Non Compete Agreements	3 to 5

l) **Investments**

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as long term or current investments, based on management's intention at the time of purchase. Long-term investments are stated at cost and provision is made to recognise any decline, other than temporary, determined separately for each investment. Current investments are stated at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

m) **Research and development**

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities acquired or constructed for research and development activities and having alternative future use, are capitalised and included in fixed assets.

n) **Warranty**

Provision for warranty is calculated on the basis of the unexpired warranty period of equipment installed during the year and the annual maintenance cost of equipment.

o) **Taxation**

Income tax expenses comprise current tax and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or

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assets are recognized using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under the taxation laws, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Deferred tax assets are reviewed for the appropriateness of their carrying values at each Balance Sheet date. The deferred tax liabilities/ assets and tax expense are determined separately for the parent, each subsidiary and joint venture and then aggregated.

The tax filings are subject to review by the tax authorities in the jurisdictions where the Company conducts business. These reviews may result in assessments of additional taxes that are resolved with the authorities or potentially through the courts. Resolution of these matters involves some degree of uncertainty; accordingly, the Company provides income taxes for the liabilities it believes will ultimately result from the proceedings.

Minimum Alternate Tax (MAT) paid in accordance with tax laws, which give rise to future economic benefits in the form of adjustment of future tax liability, is considered as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Provision for wealth tax is made based on tax liability computed after considering tax allowances and exemptions available in accordance with the provisions of the Wealth Tax Act, 1957.

p) Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary/ exceptional item. Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity shares outstanding during the year and dilutive equity equivalent shares outstanding at the year-end, except where the results would be anti-dilutive.

q) Retirement benefits to employees

India

Contributions to provident fund are deposited with a recognised provident fund trust, set up by the Company. The interest rate payable by the trust to the beneficiaries every year is notified by the government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate. The Company made contributions to a scheme administered by an insurance company in respect of superannuation for applicable employees. The Company had no further obligations to the superannuation plan beyond its monthly contributions. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

Subsidiaries in the US

The Company has a saving and investment plan under section 401(k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions are charged to income in the period in which they accrue. Leave encashment is provided in accordance with Company policy on full liability basis.

Subsidiaries in Europe

The Company contributes towards pension plans of the various governments for the employees of its subsidiaries in United Kingdom, Sweden, Netherlands, Belgium, Germany and Northern Ireland.

Subsidiaries in Australia

As per local laws of Australia, employers must provide a minimum level of superannuation for most employees or incur a non-tax deductible superannuation guarantee charge including interest and penalties. The required level of employer superannuation contribution is a percentage of the employee's earnings base. The Company contributes to a fund approved by the Government of Australia.

Subsidiaries in Malaysia and Singapore

As per local laws of Malaysia and Singapore, employers are required to contribute up to 13% of the basic salary of the employees. The Company contributes to a fund approved by the Government of the Country.

r) Impairment of assets

Impairment loss, if any, is provided to the extent of the excess of the carrying amount of assets over their recoverable amount. Recoverable amount is the higher of an asset's net selling price, and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

s) Provisions and contingent liabilities

A provision is recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. A disclosure of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

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t) **Employee stock option based compensation**

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of market price of underlying equity shares on the date of the grant of the options over the exercise price of the options given to the employees under the employee stock option schemes of the Company, is recognized as deferred stock compensation cost and is amortized on graded vesting basis ove the vesting period of the options.

2. **A scheme of Amalgamation was concluded in the previous year which was accounted for under the 'pooling of interest method' being an amalgamation in the nature merger as prescribed by the Accounting Standard AS-14, "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India.**

In terms of the Scheme, shortfall represents aggregate value of the assets reduced by the aggregate value of the liabilities and balance in profit & loss account and reserves of merged companies over the value of inter-se loans and investments of Rs. 4.38 crores have been cancelled pursuant to the amalgamation. This shortfall along with loss arising in the books of the Company on account of fall in the value of its investments of Rs. 815.30 crores in the step down subsidiaries/ subsidiaries of the merged companies aggregating to Rs. 819.68 crores was adjusted from the securities premium account.

This fall in value of investments of Rs. 815.30 crores set off against the securities premium had been adjusted in the Company's financials statements for the year ending 30 June 2006 against the unamortized goodwill of Rs. 602.32 crores pertaining to these merged companies. The balance of Rs. 212.98 crores was transferred to general reserve.

3. **Acquisitions/ Sale (refer note 1 (b) and 2 above)**

a) **Joint Venture with NEC Corporation, Japan ("NEC")**

In June 2005, the Company entered into a Joint Venture Agreement with NEC Corporation, Japan ("NEC") and NEC System Technologies Limited ("NECST"), Japan a subsidiary of NEC, whereby the Company holds 49% stake in newly established joint venture Company, NEC HCL System Technologies Limited ("NECH") and NEC and NECST jointly hold 51% stake. The Company had contributed Rs. 10.78 crores to the share capital of the NECH during the previous year.

b) **Acquisition of 39.06% in HCL EAI Services Inc. ("HCL EAI"), United States of America (formerly "Aalayance Inc., United States of America")**

The Company had acquired 19.03% stake in Aalayance Inc through one of its subsidiaries, HCL Bermuda Limited for a cash consideration in January 2003. During January 2005, the Company had acquired an additional stake by way of subscription of 9,081,268 equity shares of Aalayance Inc. for a cash consideration of Rs. 8.64 crores which had resulted in goodwill of Rs. 3.60 crores. Consequent to the acquisition, the Company's stake had increased to 58.09% (51% on fully diluted basis) making HCL EAI Services Inc, and its subsidiaries, HCL EAI Services Limited, India and Aalayance UK Limited, UK, subsidiaries of the Company.

As per the shareholders' agreement, the Company is required to acquire and the minority shareholders are required to sell the remaining equity interest falling due on 31 January 2008. The consideration for the acquisition is payable in cash, based on earnings and revenue of the acquired business.

HCL EAI had granted options for 2,616,127 equity shares to its employees and employees of its subsidiaries, prior to it becoming the subsidiary of the Company. These options are required to be acquired by the Company in stages by 01 October 2009 as per the terms of the shareholders agreement.

4. **Components of Deferred Tax Assets/ Liabilities**

Components of deferred tax assets/ liabilities are:

	As at 30 June 2007	As at 30 June 2006
Deferred tax assets:		
Business losses/ Carry forward long term capital losses	1.60	1.02
Provision for doubtful debts	4.52	2.71
Accrued employee costs	13.96	14.14
Warranties	-	1.02
Depreciation and amortization	37.74	25.06
Others (including employee stock compensation)	27.92	4.98
	85.74	**48.93**
Deferred tax liabilities:		
Depreciation and amortization	0.22	2.39
	0.22	**2.39**
Net deferred tax assets	**85.52**	**46.54**

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Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

5. Employee Stock Option Plan (ESOP)-[Also refer Note 3 (b)]

The Company has established ESOP 1999, ESOP 2000 and ESOP 2004,for a total grant of 20,000,000, 15,000,000 and 20,000,000 options respectively to employees of the Company and its subsidiaries. These options are vested over a maximum period of 110 months,104 months and 84 months respectively from the date of grant and are to be exercised within a maximum period of five years from the date of vesting.

Each option granted under the above plans entitles the holder to four equity shares (two equity shares prior to 1 : 1 bonus issue during the current fiscal year) of the Company, at an exercise price, which is approved by the Compensation Committee.

As at 30 June 2007 3,442,289 (previous year 5,914,361) options were outstanding with the employees of the Company under the ESOP 1999 Plan.

Movement in Stock options	Year ended 30 June 2007	Year ended 30 June 2006
Outstanding at the beginning of the year	5,914,361	8,324,797
Add: Granted during the year	-	-
Less: Forfeited during the year	(519,995)	(821,616)
Exercised during the year	(1,564,580)	(1,228,245)
Expired during the year	(387,497)	(360,575)
Options outstanding at the end of the year	**3,442,289**	**5,914,361**

As at 30 June 2007 5,041,132 (previous year 8,453,526) options were outstanding with the employees of the Company under the ESOP 2000 Plan.

Movement in Stock options	Year ended 30 June 2007	Year ended 30 June 2006
Outstanding at the beginning of the year	8,453,526	10,866,909
Add: Granted during the year	-	-
Less: Forfeited during the year	(898,137)	(1,289,605)
Exercised during the year	(2,185,299)	(863,048)
Expired during the year	(328,958)	(260,730)
Options outstanding at the end of the year	**5,041,132**	**8,453,526**

As at 30 June 2007 3,752,886 (previous year 2,669,400) options were outstanding with the employees of the Company under the ESOP 2004 Plan.

Movement in Stock options	Year ended 30 June 2007	Year ended 30 June 2006
Outstanding at the beginning of the year	2,669,400	373,472
Add: Granted during the year	1,720,200	2,382,500
Less: Forfeited during the year	(214,720)	(86,572)
Exercised during the year	(421,994)	-
Expired during the year	-	-
Options outstanding at the end of the year	**3,752,886**	**2,669,400**

The Company has calculated the compensation cost based on the intrinsic value method recognising the excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company, recognized such cost as deferred stock compensation cost and amortized it on a graded vesting basis over the vesting period of the options. Had the Company applied the fair value method for determining compensation cost, the impact on net income and earnings per share is provided below:

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Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

		Year ended 30 June 2007	Year ended 30 June 2006
Net income - As reported		1,318.31	690.67
Net income - Proforma		1,298.99	656.05
Earnings per share (Rs.)			
Basic	- As reported	20.20	10.74
	- Proforma	19.90	10.20
Diluted	- As reported	19.46	10.09
	- Proforma	19.18	9.58

Assumptions

The fair value of each share is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended 30 June 2007	Year ended 30 June 2006
Dividend yield %	3.65%	3.08%
Expected term	Up to 35 months	Up to 90 months
Risk free interest rates	8.10%	6.50%
Volatility	26.67%	36.35%

The volatility of the share has been determined on the basis of Company's historical share price for the period of 3 years 6 months.

Effective 01 April 2007, the Finance Act, introduced Fringe Benefit Tax ("FBT") on Employees' Stock Options. FBT liability crystallizes on the date of exercise of stock option. Subsequent to 01 April 2007, no stock options have been exercised.

HCL Technologies Limited Employees Trust

During the year ended 30 June 2002, the Company established an independent trust called the HCL Technologies Limited Employees Trust ("Trust"). In accordance with the trust deed, the Trust acquires shares from the stock exchange out of funds borrowed from the Company and issue these shares to employees eligible to exercise stock option under the Employees Stock Option Plans 1999 and 2000.

The movement in the shares held by the Trust is given below:

	Year ended 30 June 2007	Year ended 30 June 2006
Shares held at the beginning of the year	-	-
Add: Shares purchased during the year *	-	1,650
Less: Shares issued to employees	-	(1,650)
Shares held at the end of the year	-	-

* In terms of the Order of Chief Judicial Magistrate, Noida (UP), the Company has in previous year received 1,650 shares for utilization for the welfare of the employees.

6. Segment Reporting

(i) Business Segments

The operations of the Company and its subsidiaries predominately relate to providing IT services, delivered to customers located globally. Further, subsidiaries are also engaged in the business of rendering networking services including sale of networking equipment, software and business processing outsourcing services, which are in the nature of customer contact centers and technical help desks. The Chairman of the Company, who is the Chief Executive Officer, evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by types of service provided by the Company and geographic segmentation of customers.

Accordingly, revenue from service segments comprise the primary basis of segmental information set out in these financial statements. Secondary segmental reporting is performed on the basis of the geographical location of customers.

Revenue in relation to service segments is categorised based on items that are individually identifiable to that segment, while expenditure is categorised in relation to the associated turnover of the segment assets and liabilities are also identified to service segments.

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(ii) Geographic Segments

Geographic segmentation is based on the location of the respective client. The principal geographical segments have been classified as America, Europe, India and others. Europe comprises business operations conducted by the Company in the United Kingdom, Sweden, Germany, Italy, Belgium, Netherlands, Northern Ireland, Finland and Switzerland. Since services provided by the Company within these European entities are subject to similar risks and returns, their operating results have been reported as one segment, namely Europe. India has been identified as a separate segment. All other customers, mainly in Japan, Australia, New Zealand, Singapore, Malaysia, Israel, South Korea and Hong Kong are included in others.

The Company is presenting only revenue for geographic segments.

(iii) Segment accounting policies

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in note 1 to this schedule on significant accounting policies. The accounting policies in relation to segment accounting are as under:

a) Segment assets and liabilities

All segment assets and liabilities have been allocated to the various segments on the basis of specific identification.

Segment assets consist principally of fixed assets, sundry debtors, loans and advances, cash and bank balances, and unbilled receivables. Segment assets do not include unallocated corporate and treasury assets and net deferred tax assets and advance taxes.

Segment liabilities include sundry creditors, other liabilities, unsecured loan and secured loan in respect of leased vehicles. Segment liabilities do not include share capital, reserves and provision for income tax.

b) Segment revenue and expenses

Segment revenue is directly attributable to the segment and segment expenses have been allocated to various segments on the basis of specific identification. However, segment revenue does not include other income. Segment expenses do not include premium amortized on bonds, diminution allowance in respect of current and trade investments, charge taken for stock options issued to employees, corporate expenses and finance cost.

Financial information about the business segments for the year ended 30 June 2007 is as follows:

	IT services	Business Process Outsourcing services	Networking services	Inter segment transactions	Total
Revenue					
- External revenue	4,408.96	803.88	855.90	-	6,068.74
- Internal revenue	-	-	-	-	-
Total	**4,408.96**	**803.88**	**855.90**	**-**	**6,068.74**
Segment results	**894.63**	**157.83**	**105.12**	-	**1,157.58**
Unallocated corporate expenses					(177.45)
Other Income					447.82
Net profit before taxes					**1,427.95**
Tax expense					104.08
Minority Interest					5.56
Net profit after taxes					**1,318.31**
Assets					
Segment assets	2,337.15	335.48	444.60	(13.40)	3,103.83
Unallocated assets					2,217.17
Total assets					**5,321.00**
Liabilities					
Segment liabilities	703.87	94.31	193.08	(13.40)	977.86
Unallocated liabilities					275.91
Total liabilities					**1,253.77**
Others					
Capital expenditure (including capital work-in-progress)	317.19	43.75	43.50	-	404.44
Unallocated corporate capital expenditure					11.20
Total					**415.64**
Significant non-cash adjustments					
Depreciation	134.56	62.48	48.01	-	245.05
Unallocated corporate depreciation					8.81
Total					**253.86**
Provision for doubtful debts/Advances and bad debts/ advances written off	6.80	0.46	5.08	-	**12.34**

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(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Financial information about the business segments for the year ended 30 June 2006 is as follows:

	IT services	Business Process Outsourcing services	Networking services	Inter segment transactions	Total
Revenue					
- External revenue	3,413.44	655.34	502.80	-	4,571.58
- Internal revenue	-	-	2.18	(2.18)	-
Total	**3,413.44**	**655.34**	**504.98**	**(2.18)**	**4,571.58**
Segment results	**709.76**	**118.69**	**44.47**		**872.92**
Unallocated corporate expenses					(172.84)
Other Income					109.29
Net profit before taxes					**809.37**
Tax expense					55.89
Minority Interest					1.75
Net profit after taxes					**751.73**
Adjustment under scheme of Amalgamation (refer note 2 and 19)					61.06
					690.67
Assets					
Segment assets	1,655.53	407.92	449.07	(21.41)	2,491.11
Unallocated assets					1,605.34
Total assets					**4,096.45**
Liabilities					
Segment liabilities	368.66	220.40	183.75	(21.41)	751.40
Unallocated liabilities					241.41
Total liabilities					**992.81**
Others					
Capital expenditure (including capital work-in-progress)	265.04	66.09	78.71	-	409.84
Unallocated corporate capital expenditure					16.51
Total					**426.35**
Significant non-cash adjustments					
Depreciation	105.11	57.79	35.44	-	198.34
Unallocated corporate depreciation					4.71
Total					**203.05**
Provision for doubtful debts/Advances and bad debts/advances written off	4.16	(0.13)	4.25	-	**8.28**

The Company has four geographic segments: America, Europe, India and Others. Revenue from the geographic segments based on domicile of the customer is as follows:

	Year ended 30 June 2007	Year ended 30 June 2006
America	3,315.59	2,548.92
Europe	1,817.80	1,153.56
India	431.13	491.99
Others	504.22	377.11
	6,068.74	**4,571.58**

A substantial portion of the total assets of the Company are in the India geography. Assets used in the Company's business have not been identified to any of the geographic segments, as the assets are used interchangeably between the segments.

7. **Related Parties**

a) **Related parties where control exists**

Holding Company

HCL Corporation Limited, India (Ceases to be Holding Company w.e.f. 27 March 2007)

Others

HCL Technologies Limited Employees Trust

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(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

b) **Related parties with whom transactions have taken place during the year**

Fellow Subsidiary

HCL Peripherals Limited (Ceases to be fellow subsidiary w.e.f. 27 March 2007)

Jointly controlled entities

NEC HCL System Technologies Limited

HCL Answerthink Inc. USA (Deregistered w.e.f. 27 April 2007)

Key Management Personnel

Shiv Nadar – Chairman and CEO

Others (Significant influence)

HCL Infosystems Limited

HCL Infinet Limited *

* Merged with HCL Infosystems w.e.f. 01 April 2007

c) **Transactions with related parties in the normal course of business**

Particulars	Fellow subsidiaries		Jointly controlled entities		Associates		Others		Key management personnel	
	Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June		Year ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sale of materials and services	-	-	10.53	-	-	-	6.79	4.98	-	-
Other Receipts	-	-	1.57	0.93	-	-	-	-	-	-
Purchase of materials and services	0.21	0.40	-	-	-	-	27.53	25.88	-	-
Payment for use of facilities	0.50	0.38	-	-	-	-	0.97	0.96	-	-
Loan (net of repayments)	-	-	-	-	-	-	-	0.03	-	-
Provision for doubtful debts/ advances	-	-	-	-	-	-	0.23	-	-	-
Purchase of capital equipments	0.67	0.17	-	-	-	-	53.70	52.24	-	-
Remuneration	-	-	-	-	-	-	-	-	1.39	1.46

d) **Outstanding balances**

Particulars	Fellow subsidiaries		Jointly controlled entities		Associates		Others		Key management personnel	
	As at 30 June		As at 30 June		As at 30 June		As at 30 June		As at 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Debtors	-	-	3.55	-	-	-	1.73	2.63	-	-
Other receivables	0.04	0.19	0.26	0.98	-	-	2.93	5.23	-	-
Creditors	0.17	0.21	-	-	-	-	11.83	12.93	-	-

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(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

8. Leases

I) The future lease obligations in respect of vehicles taken on finance lease are as follows:

	Total minimum lease payments outstanding as on 30 June 2007	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	8.80	1.72	7.08
	(5.64)	(1.07)	(4.57)
Later than one year and not later than 5 years	13.51	1.74	11.77
	(10.34)	(1.00)	(9.34)
	22.31	**3.46**	**18.85**
	(15.98)	(2.07)	(13.91)

Previous year figures are in brackets.

ii) The Company's significant leasing arrangements are in respect of operating leases for office space and accommodation for its employees. The aggregate lease rental expense recognized in the Profit and Loss Account for the year amounts to Rs. 123.19 crores (previous year Rs. 98.31 crores). Future minimum lease payments and payment profile of non-cancellable operating lease are as follows:

	Year ended 30 June 2007	2006
Not later than one year	97.83	86.87
Later than one year and not later than 5 years	242.67	240.67
Later than five years	53.48	66.80

iii) The Company has given networking equipment to its customers on non-cancelable operating leases for a maximum period of three years. The lease rental income recognized in the profit and loss account for the year is Rs. 0.54 crores (previous year Rs. 0.83 crores). The future minimum lease receivables under such operating leases are as follows:

	Year ended 30 June 2007	2006
Not later than one year	0.38	0.85
Later than one year and not later than 5 years	0.08	0.86

iv) The Company has given networking equipments to its customers on finance lease basis. The future lease payments in respect of assets given on finance lease on or after 1 April 2001 are as follows:

	Total minimum lease payments receivable as on 30 June 2007	Interest included in minimum lease payments receivable (Unearned finance income)	Present value of minimum lease payments receivable
Not later than one year	2.03	0.77	1.26
	(1.98)	(0.79)	(1.19)
Later than one year and not later than 5 years	1.26	0.70	0.56
	(2.35)	(0.76)	(1.59)
	3.29	**1.47**	**1.82**
	(4.33)	(1.55)	(2.78)

Previous year figures are in brackets.

v) During the previous year ended 30 June 2006, the Company has entered into a lease agreement with the lessor for lease for five years of a plot of land measuring 1.4 acres, and a building with a built-up area of 130,000 sq. ft. As per terms of the agreement, on expiry of the five year period, the lessor is bound to sell and the Company is required to purchase the land and building at the rate mentioned in the agreement and during the 5 year period, if the lessor desires to sell the property, the Company has the first right to purchase it at the rates mentioned in the agreement. During the current year, on getting possession, the Company has capitalised the aforesaid property by treating the transaction as a finance lease and the amount has been apportioned to freehold land and building on a fair value basis. The present value of minimum lease payments due to the lessor has been shown under the head "Secured Loans" as the legal title to the said freehold land and building vests in the lessor. The total minimum lease payments and maturity profile of finance leases at the Balance Sheet date, the element of interest included in such payments, and the present value of the minimum lease payments as of 30 June 2007 are as follows:

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Schedules forming part of the accounts

(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

	Total minimum lease payments outstanding as on 30 June 2007	Interest included in minimum lease payments	Present value of minimum lease payments
Not later than one year	2.57	1.38	1.19
	(-)	(-)	(-)
Later than one year and not later than 5 years	25.17	3.84	21.33
	(-)	(-)	(-)
	27.74	**5.22**	**22.52**
	(-)	(-)	(-)

Previous year figures are in brackets.

9. Research and Development Expenditure

	Year ended 30 June 2007	Year ended 30 June 2006
Revenue	12.07	4.13
Capital	-	-
	12.07	**4.13**

10. Earnings Per Share (EPS)

The computation of earnings per share is as follows:

	Year ended 30 June 2007	Year ended 30 June 2006
Net profit as per Profit and Loss Account for computation of EPS	1,318.31	690.67
Weighted average number of equity shares outstanding in computation of basic EPS	652,626,782	642,788,960
Dilutive effect of stock options outstanding	24,760,964	41,522,754
Weighted average number of equity shares and equity equivalent shares outstanding in computing diluted EPS	677,387,746	684,311,714
Nominal value of equity shares (Rs.)	2	2
Earnings per equity share (Rs.)		
Basic	20.20	10.74
Diluted	19.46	10.09

11. Commitments and Contingent Liabilities

	As at 30 June 2007	As at 30 June 2006
i) Capital & Other Commitments		
a) Capital commitments		
Estimated amount of unexecuted capital contracts (net of advances)	213.22	165.77
b) Other commitments		
Commitment for land and building taken on lease [(refer note 8(v))]	-	22.44
c) Outstanding letters of credit	18.29	13.84
	231.51	**202.05**
ii) Contingent Liabilities		
a) Disputed Income Tax (excluding Interest)	32.81	6.55
b) Disputed Sales tax	0.13	2.42
c) Others	9.18	0.32
	42.12	**9.29**

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(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

d) Guarantees have been given by the Company against credit facilities, financial assistance and accommodation taken on lease amounting to Rs. 59.44 crores (previous year Rs. 35.62 crores). These guarantees have been given in the normal course of the Company's operations and are not expected to result in any loss to the Company, on the basis of the Company fulfilling its ordinary commercial obligations.

The amounts shown in the item (a) (b) and (c) above represent best possible estimates arrived at on the basis of available information. The uncertainties and possible reimbursements are dependent on the outcome of the different legal processes which have been invoked by the Company or the claimants as the case may be and therefore cannot be predicted accurately. The Company engages reputed professional advisors to protect its interest and has been advised that it has strong legal positions against such disputes.

12. Land

i) During the previous year ended 30 June 2006, the Company had taken 50 acres of land at Chennai, Tamil Nadu, on leasehold basis for a period of 90 years from Electronics Corporation of Tamil Nadu (ELCOT). The lease rent payable is Rs. 1 per annum over the lease period and the Company had paid Rs. 24 crores as a refundable security deposit. The continued validity of the lease agreement is dependent on compliance with specified terms and conditions.

ii) During the previous year ended 30 June 2006, the Company had entered into a lease agreement for six years with Karnataka Industrial Area Development Board (KIADB) for allotment of land against an "allotment consideration" of Rs. 8.13 crores. KIADB will sell the property to the Company during the lease period or at the end of six years or an extended time period, at a price to be fixed by them subject to performance by the Company of all the conditions specified in the agreement. The Company will pay the sale price, after adjusting the "allotment consideration" already paid, which had been recorded as capital advances, till the resolution of all the precedent conditions.

13. Derivative Financial Instruments

The Company enters into forward foreign exchange contracts and options where the counter party is a bank. The forward foreign exchange contracts mature over periods changing from one to thirty six months. The Company considers the risk of non performance by the counter party as negligible. The value of forward cover contracts and options outstanding as on 30 June 2007 amounted to Rs. 5,980.81 crores (previous year Rs. 2,715.97 crores).

14. Joint Ventures

The Company has an interest in the following jointly controlled entities:

Name of the Company	Shareholding	Incorporated in
1. HCL Answerthink Inc. (Deregistered w.e.f. 27 April 2007)	50%	USA
2. NEC HCL System Technologies Limited	49%	India

The aggregate amounts of assets, liabilities, income and expenditure to the extent of the interest of the Company in the above jointly controlled entities are given hereunder:

	Year ended 30 June 2007	Year ended 30 June 2006
Revenue from software services	8.99	0.65
Other income	0.69	0.35
Total	**9.68**	**1.00**
Personnel expenses	1.81	0.12
Other expenses	8.50	1.17
Finance charges	-	-
Depreciation and amortization	0.31	0.05
Total	**10.62**	**1.34**
Profit/ (loss) before Tax	**(0.94)**	**(0.34)**
Provision for tax	0.05	0.01
Net profit/ (loss) after tax	**(0.99)**	**(0.35)**

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(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

	As at 30 June 2007	As at 30 June 2006
Assets		
Fixed assets	0.84	0.61
Investments	5.88	-
Sundry debtors	4.20	1.44
Cash and bank balances	0.24	9.76
Other Current assets	0.74	0.43
Liabilities		
Current liabilities and provisions	2.44	1.18

Note:

NEC HCL System Technologies Limited financial statements are for the period ending 31 March 2007 and 2006 respectively.

15. Auditor's Remuneration

	Year ended 30 June 2007	Year ended 30 June 2006
Statutory audit	2.08	2.08
Tax audit fee	0.27	0.27
Other services	-	0.15
	2.35	2.50

16. Movement In Provision For Warranty

	Year ended 30 June 2007	Year ended 30 June 2006
Opening provision	3.04	2.08
Additional provision made during the year	1.14	3.38
Utilisation during the year	(2.60)	(2.42)
Closing provision	1.58	3.04

17. Closing Balance and Maximum balances outstanding with non scheduled banks are as follows:

Non Scheduled Banks	Closing Balance		Maximum Balance	
	As at 30 June 2007	As at 30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
- On Current account				
ABN Amro Bank, N.V., Netherlands	0.85	0.22	1.97	0.63
ANZ Bank, Sydney	-	-	-	0.01
Australia and New Zealand Banking Group Limited Sydney, Australia	5.52	3.12	12.07	3.16
Australia and New Zealand Banking Group Limited Australia	7.99	-	12.25	-
Australia and New Zealand Banking Group Limited Wellington, New Zealand	5.20	0.95	7.20	1.85
Banca Popolare di Sondrio, Italy	-	-	-	0.02
Bank of America, Boston, United States of America	0.98	1.45	2.76	2.54
Bank of Bermud, Bermuda	0.05	0.36	0.36	20.70
Bank of Ireland - collection account, Belfast, Ireland	5.42	-	16.59	34.88
BOM, Canada	-	0.02	0.02	0.02
Bank of Ireland - payment account, Belfast, Ireland	0.63	(0.03)	10.69	9.95
The Bank of Bermuda Limited	0.27	-	0.27	-

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Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Non Scheduled Banks	Closing Balance		Maximum Balance	
	As at 30 June 2007	As at 30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
Bank of Tokyo - Mitsubishi Limited Tokyo, Japan	7.52	4.80	8.82	8.25
Bank of Tokyo - Mitsubishi Limited Tokyo, Japan, USD	4.35	3.76	4.35	3.92
Bank Brussels Lambert, Brussels, Belgium	0.67	0.14	1.02	0.53
Banque St. Generale, France	0.01	0.01	0.01	0.01
Bank Trust, New York USA	-	0.44	0.44	11.27
Bank of Austria, Austria	0.19	0.08	0.84	9.89
Citi Bank N.A. Singapore-SGD	0.19	0.21	0.21	0.21
Citi Bank N.A. Singapore-USD	0.21	0.24	0.24	1.86
Citi National Bank, EUR	0.01	(0.01)	0.01	-
Deutsche Bank, New York, United States of America	30.32	-	44.76	48.23
Deutsche Bank, Singapore	1.53	1.22	2.73	2.12
Deutsche Bank, Singapore (2nd account)	0.49	0.53	0.53	0.58
Deutsche Bank, London, United Kingdom	55.31	31.13	106.24	80.97
Deutsche Bank, Delaware	-	37.24	37.24	37.23
Deutsche Bank, Franco -Euro	-	0.04	0.04	0.15
Dresdner Bank, Frankfurt, Germany	1.33	0.66	5.11	5.28
DSL Bank, Frankfurt, Germany	0.03	2.67	2.67	7.65
Fleet Bank, United states of America	0.12	-	0.28	-
HANDLOWY - Inco	0.33	-	0.33	-
Hong Kong & Shanghai Banking Corporation Limited Hong Kong	0.39	5.96	5.96	7.65
Hong kong and Shangai Bank Corporation Limited Hongkong-USD	2.72	-	3.42	-
Hong Kong & Shanghai Banking Corporation Limited, Malaysia	0.02	0.02	0.64	0.25
Hong Kong & Shanghai Banking Corporation Limited, Sydney	-	-	-	0.08
Indian Overseas Bank, Singapore, SGD Account	2.16	3.66	6.44	4.43
Indian Overseas Bank, Singapore, USD Account	-	0.45	0.72	0.97
Industrial and Commercial Bank, Singapore, SGD Account	0.19	0.09	5.21	2.01
Kredyt Bank SA- Inco EUR	0.09	-	0.09	-
Lloyds TSB, London, United Kingdom	6.47	-	29.28	0.39
Lloyds TSB, UK	-	3.61	3.61	13.97
PNC Bank	-	(0.89)	-	0.07
Public Bank Bhd, Malaysia	1.77	4.73	5.40	4.96
SBI International (Mauritius) Limited Mauritius	-	0.01	0.01	0.15
Scotia Bank, Winnipeg, Canada	-	-	-	0.02
South Shore Saving Bank, MA,USA	1.59	0.60	10.59	0.60
Skandinaviska Enskilda Banken AB, Stockholm, Sweden	1.03	2.42	5.60	2.91
Skandinaviska Enskilda Banken AB, Stockholm, Sweden (USD account)	-	-	-	1.48
Silicon Valley Bank, CA, USA	1.48	0.51	20.53	16.41
Sumitomo Bank Limited Tokyo, Japan	1.24	0.59	2.07	2.29
Suntrust Bank	-	0.60	0.60	0.60
St. George Bank	1.44	-	3.24	-
Wells Fargo Bank, CA, United States of America	25.72	1.47	25.72	24.10
Westpac	0.08	0.04	0.08	0.35
Total	**175.91**	**113.12**		
- On Deposit accounts				
Australia and New Zealand Banking Group Limited Sydney, Australia – USD account	-	2.75	2.75	2.75
Australia and New Zealand Banking Group Limited Wellington, New Zealand – Call Account	-	2.12	2.12	2.12
Australia and New Zealand Banking Group Limited Sydney, Australia – Cash Management	-	3.29	3.29	4.35

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(All amounts in crores of rupees except share data and unless otherwise stated)

Schedule 19: Significant Accounting Policies and Notes to the Accounts (Contd.)

Non Scheduled Banks	Closing Balance		Maximum Balance	
	As at 30 June 2007	As at 30 June 2006	Year ended 30 June 2007	Year ended 30 June 2006
Australia and New Zealand Banking Group Limited, Wellington, New Zealand- USD Account	-	0.01	0.01	0.01
Australia and New Zealand Banking Group Limited, Wellington, New Zealand -Serious Saver	-	-	-	1.70
Australia and NZ Banking Group Limited, Sydeny, Australia- Term deposit	0.18	0.18	0.18	0.18
Industrial & Commercial Bank ,Singapore	-	0.16	0.16	10.48
Bank of Austria	4.22	5.08	5.08	5.08
Indian Overseas Bank, Singapore, SGD Account	12.51	10.24	15.71	10.24
Bank of Ireland, Ireland	13.65	8.40	24.67	29.49
South Shore Bank	-	2.77	2.77	3.97
Public Bank MA, USA	18.76	10.79	18.76	10.79
PNC Bank	20.23	14.83	20.23	17.61
St. George Bank Australia	-	2.82	2.82	2.82
Westpac	0.79	0.03	0.79	0.23
Lloyds TSB, UK	19.39	-	19.39	-
Total	**89.73**	**63.47**		

18. The Company and its various subsidiaries are required to comply with the local transfer pricing regulations, which are on contemporaneous in nature. The Company appoints independent consultants annually for conducting a Transfer pricing study to determine whether transactions with associate enterprises are undertaken, during the financial year, on an arms length basis. Adjustments, if any, arising from the transfer pricing study in the respective jurisdictions shall be accounted for as and when the study is completed for the current financial year. The management is of the opinion that its international transactions are at arms length so that aforesaid legislation will not have any impact on the financial statements.

19. The previous year figures in Profit and Loss Account includes figures of merged companies (refer note 2 above) for the fifteen months period from 01 April 2005 to 30 June 2006 and therefore corresponding figures of the previous year are not comparable with those of the current year.

 Further, the results of the merged companies for three months for the period 01 April 2005 to 30 June 2005 has been adjusted in the Consolidated Profit and Loss Account for the previous year ended 30 June 2006 and shown under "Adjustment under the scheme of amalgamation of companies" as the results of merged companies for three months, as aforesaid, have been considered in the previous year ending 30 June 2005 as these companies were wholly owned subsidiaries of the Company, either directly or through its step down subsidiaries.

20. Previous year figures have been re-classified/ re-grouped to conform to current year's classifications.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India
Date: 13 August 2007

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Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

S.No.	Name of the Subsidiary Company	Financial year to which accounts relate	Holding Company's interest in the subsidiary at the end of financial year		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are dealt with in the Company's accounts (All amounts in Rupees thousands)		Net aggregate amount of Subsidiary Company's Profits after deducting its losses or vice versa, so far as it concerns members of Holding Company which are dealt with in the Company's accounts (All amounts in Rupees thousands)	
			Shareholding (No. of Shares)	Extent of holding (%)	For the year ended 30 June 2007	For previous financial years of the subsidiary since it became the Holding Company's subsidiary	For the year Ended 30 June 2007	For previous financial years of the subsidiary since it became the Holding Company's subsidiary
1	HCL Bermuda Limited (refer note 2)	30-Jun-07	113,170,582	100	(306,714)	(1,415,509)	Nil	Nil
2	HCL America Inc. (refer note 3)	30-Jun-07	6,089,870	100	230,392	24,850	Nil	Nil
3	HCL Great Britain Limited	30-Jun-07	10,568,000	100	97,965	(437,909)	Nil	Nil
4	HCL Sweden AB	30-Jun-07	10,000	100	572	(916)	Nil	Nil
5	HCL (Netherlands) BV	30-Jun-07	400	100	(914)	(132,130)	Nil	Nil
6	HCL GmbH	30-Jun-07	3	100	4,551	(129,900)	Nil	Nil
7	HCL Italy SLR	30-Jun-07	20,000,000	100	(2,103)	(3,914)	Nil	Nil
8	HCL Belgium NV	30-Jun-07	2,750	100	(979)	(14,828)	Nil	Nil
9	HCL Australia Services Pty. Limited	30-Jun-07	500,000	100	7,923	39,571	Nil	Nil
10	HCL (New Zealand) Limited	30-Jun-07	10	100	(900)	30,735	Nil	Nil
11	HCL Hong Kong SAR Limited	30-Jun-07	193,167	100	(54,288)	5,325	Nil	Nil
12	HCL Japan Limited	30-Jun-07	4,400	100	20,955	(74,028)	Nil	Nil
13	HCL Holdings GmbH	31-Dec-06	6,500,000	100	129,927	4,010,134	Nil	Nil
14	Intelicent India Limited	30-Jun-07	106,070	100	9,120	169,521	Nil	Nil
15	HCL Comnet Systems and Services Limited	30-Jun-07	12,793,904	99.88	787,333	1,210,462	4,500	6,458
16	HCL Enterprise Solutions Limited	30-Jun-07	60,000	100	(259)	(3,556)	Nil	Nil
17	DSI Financial Solutions Pte Limited	30-Jun-07	10,000	100	(371)	1,175	Nil	Nil
18	HCL BPO Services (NI) Limited	30-Jun-07	4,444,445	100	73,879	248,296	Nil	Nil
19	HCL Comnet Limited	30-Jun-07	949,840	99.88	183,653	180,607	Nil	Nil
20	HCL Jones Technologies LLC	30-Jun-07	1,714,000	51	42,292	(21,582)	Nil	Nil
21	HCL Jones Technologies (Bermuda) Limited	30-Jun-07	510	51	20,378	91,667	Nil	Nil
22	HCL Singapore Pte Limited	30-Jun-07	2,000,000	100	125,033	208,215	Nil	45,245
23	HCL (Malaysia) Sdn. Bhd	30-Jun-07	100,000	100	64,341	116,222	Nil	Nil
24	HCL EAI Services Inc.	30-Jun-07	10,935,348	58.09	(12,888)	(10,299)	Nil	Nil
25	HCL EAI Servises Limited	30-Jun-07	610,003	58.09	5,739	7,786	Nil	Nil
26	Aalayance (UK) Limited	30-Jun-07	58	58.09	(118)	341	Nil	Nil
27	HCL Technoparks Limited	30-Jun-07	1,000,000	100	(106)	(139)	Nil	Nil

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Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

Note:

In respect of the subsidiaries whose financial year do not concide with the financial year of the Company, neither there has been change in the holding company's interest in the subsidiary nor any material transaction has occurred.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India
Date: 13 August 2007

The Ministry of Company Affairs, Government of India, vide its approval letter no. 47/328/2007-CL-III dated 17 July 2007, has granted exemption to the Company from annexing the accounts and other information of the subsidiaries along with the accounts of the Company, as required under Section 212 of the Companies Act, 1956, for the year ended 30 June 2007. The Company would provide the annual accounts of the subsidiaries and the related detailed information to the shareholders of the Company and its subsidiaries on specific requests made to it in this regard by the said shareholders. The annual accounts of the subsidiaries will also be kept for inspection by any shareholder at the registered office of the Company and that of the subsidiary company concerned.

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Statement regarding Subsidiary Companies as required by the approval granted under Section 212(8) of the Companies Act, 1956

(All Amount in Rupees Thousands)

S. No	Name of the Subsidiary Company	Share Capital	Reserve	Total Assets	Total Liabilities	Investments (other than subsidiaries)	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
1	HCL Bermuda Limited	4,610,570	(1,202,028)	3,497,635	89,094	-	92,670	(306,714)	-	(306,714)	-
2	HCL America Inc.[refer note(a)]	1,144,381	705,979	10,011,799	8,161,439	135,123	18,889,696	310,079	79,686	230,392	-
3	HCL Great Britain Limited	863,644	(61,116)	5,275,288	4,472,760	-	9,039,809	143,477	45,513	97,965	-
4	HCL Sweden AB	594	572	122,094	120,928	-	75,345	572	-	572	-
5	HCL (Netherlands) BV	999	(136,620)	246,384	382,005	-	311,800	(914)	-	(914)	-
6	HCL GmbH	1,415	(111,961)	1,001,215	1,111,761	45,009	563,486	(141)	(4,692)	4,551	-
7	HCL Italy SLR	551	(6,132)	331	5,912	-	3	(2,103)	-	(2,103)	-
8	HCL Belgium NV	3,753	(15,855)	94,774	106,876	-	56,045	(979)	-	(979)	-
9	HCL Australia Services Pty. Limited	17,351	64,856	374,233	292,027	-	1,603,381	15,844	7,921	7,923	-
10	HCL (New Zealand) Limited	1,462	32,090	92,496	58,944	-	233,157	(1,359)	(459)	(900)	-
11	HCL Hong Kong SAR Limited	1,006	(49,102)	79,727	127,822	-	100,276	(12,223)	42,065	(54,288)	-
12	HCL Japan Limited	72,578	(41,435)	321,843	290,700	-	786,733	30,706	9,751	20,955	-
13	HCL Holdings GmbH	27,516	4,674,757	4,777,512	75,240	-	194,686	187,057	57,130	129,927	-
14	Intelicent India Limited	1,061	178,640	180,355	654	175,884	15,235	13,443	4,323	9,120	-
15	HCL Comnet Systems and Services Limited	578,094	2,194,065	3,700,691	928,533	5,000	3,157,081	796,905	4,121	792,785	-
16	HCL Enterprise Solutions Limited	2,444	228,694	238,971	7,832	-	-	(259)	-	(259)	-
17	DSI Financial Solutions Pte Limited	266	3,489	4,884	1,129	-	-	(371)	-	(371)	-
18	HCL BPO Services (NI) Limited	326,983	370,296	1,160,824	463,545	-	2,354,421	116,213	42,334	73,879	-
19	HCL Comnet Limited	9,499	904,637	2,880,802	1,966,666	851,695	3,470,859	282,824	98,951	183,873	-
20	HCL Jones Technologies LLC	136,918	42,975	230,298	50,405	-	592,688	82,925	-	82,925	-
21	HCL Jones Technologies (Bermuda) Limited	489	101,390	122,920	21,041	-	118,816	39,958	-	39,958	-
22	HCL Singapore Pte Limited	53,255	303,380	499,279	142,644	-	798,388	151,730	26,697	125,033	-
23	HCL (Malaysia) Sdn. Bhd	1,181	223,938	348,240	123,121	-	342,963	66,957	2,616	64,341	-
24	HCL EAI Services Inc.	133,381	(86,058)	124,993	77,670	-	406,275	(21,931)	256	(22,187)	-
25	HCL EAI Servises Limited	10,501	45,453	100,866	44,911	-	201,099	11,625	1,746	9,879	-
26	Aalayance (UK) Limited	8	249	2,170	1,913	-	-	(241)	(38)	(203)	-
27	HCL Technoparks Limited	10,000	(245)	161,291	151,535	-	-	(106)	-	(106)	-

Note:

a) Share capital includes Rs. 896,280,000 the share application money received pending allotment of shares.

b) HCL Poland Sp.z.o.o. (Poland) has been incorporated on 15 March 2007 and its first financial year will be completing subsequent to 30 June 2007. Therefore, section 212 of the Companies Act, 1956 is not applicable in respect of the said subsidiary for the financial year 2006-07.

For **HCL Technologies Limited**

Shiv Nadar
Chairman and CEO

T S R Subramanian
Director

Anil Chanana
Executive Vice President - Finance

Manish Anand
Deputy Company Secretary

Place: Noida (UP), India
Date: 13 August 2007

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